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World Business Newspaper http://www.FT.com MONDAY AUGUST 19 1996

Kohl seeks to calm tax fears

Chancellor insists Germans will pay less after reforms

By Peter Norman in Bonn

The German government yesterday made clear that wide-ranging tax reform, planned for 1999, should involve a significant reduction in the overall tax burden and that it will not raise value added tax to increase revenues.

In a television interview from his Austrian holiday home, Chancellor Helmut Kohl last night said that his "first and most important goal" was to lower the excessive burden of taxes to help the individual citizen, boost the economy and create jobs.

Giving a first indication of the possible scale of tax cuts, Mr Theo Waigel, the finance minister, told Saturday's edition of Bild, the mass-circulation daily magazine, that "a volume of DM80bn ($54bn)" was imaginable. But he warned that this sum, equivalent to 2.3 per cent of German gross domestic product, would have to be financed in a "realistic and clean" manner through elimination of special tax breaks and privileges.

Their remarks were intended to calm the political furore that has surrounded the government's reform plans since Mr Kohl, in an earlier interview, admitted that a VAT increase was unavoidable.

In yesterday's interview with the ZDF channel's *Bonn Direkt* programme, the chancellor was careful not to rule out a VAT rise.

But he insisted that the government's aim was not to add to the tax burden and that a VAT increase, if it came at all, would not be before 1999.

Mr Waigel said a VAT rise could only come "at the end of a comprehensive tax reform" and only if the revenue lost through lower income tax rates had not been balanced by broadening the tax base.

Bonn presses Paris..............Page 2

Tax reform has been Bonn's hottest political topic during the recent quiet weeks of summer when most leading politicians have been on holiday.

Mr Kohl's admission of the need for a VAT increase, after months of denying that the government had any such plans, was a significant political turnaround - even though he had never ruled out the possibility after the next German general election in the autumn of 1998.

Yesterday there were signs that the issue of tax reform would continue to be controversial.

Mr Wolfgang Gerhardt, leader of the junior Free Democrat party in Mr Kohl's coalition, said his party would press for "a first stage" of tax reform in 1998 "as a signal" ahead of the election.

Outlining some of the constraints under which the government is operating, Mr Kohl said there was no question of Germany borrowing more to finance tax cuts. There were also limits to cuts in public spending – for example, there was still a need for large-scale spending on transport infrastructure in eastern Germany, he said.

Making clear that not all tax breaks could be removed, Mr Waigel argued in favour of retaining some exemptions from government income tax for people who pay church taxes.

He also warned against exaggerated expectations. People "should not get the impression that a cornucopia of tax reductions will sweep over them," he said.

Lloyd's fails to win SEC help over US action

By Ralph Atkins in London

The US Securities and Exchange Commission has refused to help Lloyd's of London in a potentially devastating legal challenge today that claims the insurance market's £3.2bn recovery plan may break US securities laws.

Disgruntled US Names are seeking an injunction in a federal court in Virginia to prevent Lloyd's /proceeding with its rescue proposals – just nine days ahead of the August 28 deadline for Names to accept.

A delay could wreck the plan, which has taken more than a year to construct, throwing the insurance market's future into doubt.

The case comes as the latest Mori survey shows 85 per cent of UK Names support the rescue plan, compared with 82 per cent in June. Names are individuals whose assets have traditionally supported the insurance market.

Lloyd's said surveys in the US showed support for the plan was running at about 50 per cent of Names with 24 per cent planning to reject it.

The Virginia action centres on claims that the Lloyd's "reconstruction and renewal" plan should comply with federal and state securities rules.

Last week the Virginia court ordered the SEC to set out its position on whether investment at Lloyd's amounted to buying a security.

But in a written submission over the weekend, the SEC told the Virginia court that it was not party to the action and "does not believe it appropriate to address... the fact-bound issues."

Nor did the SEC "believe that it would be in the public interest for it to influence, positively or negatively, the matter of acceptance or rejection of the reconstruction and renewal proposal".

The SEC has indicated, however, that it believes issues about US securities laws

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New breed of investor, Page 17

Brussels warns German carmaker not to spend aid

German carmaker Volkswagen risks being barred from competing for public contracts if it spends nearly DM91m ($61.4m) of disputed subsidies from the German state of Saxony. The warning by European Union competition commissioner Karel Van Miert is the toughest yet in the row over Saxony's plans to subsidise VW investment in the state to the tune of DM780m. Page 18

Russians try to boost Chechen truce:

Two Russian soldiers carry water on the outskirts of the Chechen capital, Grozny, where a fragile ceasefire held overnight. Russian and Chechen negotiators worked over the weekend to reinforce the truce and a truce also seemed to be holding among Russia's politicians. Page 16

Hines buys malls in Europe: Texas-based property company Hines has bought seven shopping centres in Europe – including the continent's biggest covered mall – from French insurer Macif. Hine is paying FFr1.5bn ($296.7m) for 50 per cent of the centres, with an option to take full control. Page 17

China hits at US: The US was using the pretext of terrorism to dictate policy with its laws on foreign oil companies investing in Iran and Libya, China said. Beijing accused Washington of "overweening arrogance". Page 8

Many dead in Pakistan attack: Fifteen people were killed and almost 70 injured when gunmen attacked a Shi'ite Moslem religious meeting in a village in Pakistan's Punjab province, a spokesman for a Shi'ite party said.

Campaign aircraft crashes: Nine people were feared dead after a presidential support aircraft crashed in Wyoming soon after taking off for President Bill Clinton's birthday party in New York City. Page 4

Microsoft admits software bug: US software giant Microsoft has admitted there is a bug in the latest version of its Internet Explorer Web browser. The problem comes as Microsoft and California-based Netscape Communications fight for control of the browser market. Page 16; Media futures, Page 9

Lebanon elections: Rival candidates exchanged accusations of election fraud as parliamentary polls got under way in Lebanon's Christian heartland. One man was fatally injured in a brawl at a polling station.

Students surrounded: Police ringing two Seoul campus buildings held by radical students cut off food and medical supplies in an attempt to force an end to the five-day occupation.

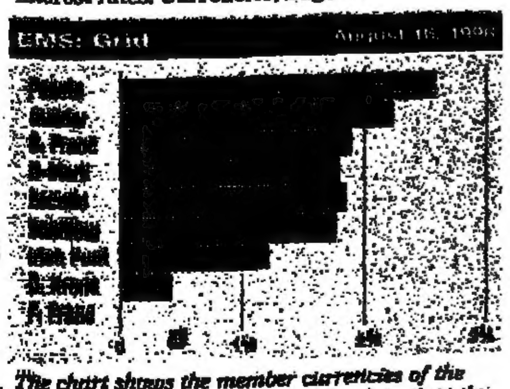
Police search for more children: Belgian police searched for the remains of more missing children, widening their investigation into a child sex scandal after the man who led them to three bodies admitted kidnapping at least two other girls.

Briton killed in Honduras: A young British man found murdered on a remote road in Honduras was probably shot during a robbery, said police.

Inchcape sells testing unit: Inchcape of the UK is to sell its Testing Services business to a consortium led by two financial institutions, Charterhouse and Bankers Trust. The sale - worth some £380m ($592.8m) - is part of a streamlining programme. Page 17

European Monetary System: The French franc remains bottom of the EMS grid, while the Spanish peseta rose last week to the top. This week may see more movement if the Bundesbank council meeting on Thursday cuts German interest rates. Currencies, Page 23

EMS: Grid August 16, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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King Hussein promises 'iron-fist' response and sends in elite troops

Jordan riots spread after bread price rise

By David Gardner, Middle East Editor, in Jerusalem

King Hussein of Jordan has sent elite units of his army to regain control of the southern city of Karak and has suspended parliament after three days of rioting in south Jordan against bread price rises agreed under an International Monetary Fund recovery programme.

Facing the biggest challenge to his regime since riots in 1989 against IMF-agreed fuel price rises, the king vowed "to hit with an iron fist any hand of any demented person and anyone who challenges security and instigates dissent".

The revolt appeared to have subsided last night after spreading from Karak throughout the south and to Hay al-Tafailah, a poor neighbourhood of the capital Amman. King Hussein said last night "the situation is totally under control", and suggested obliquely that Iraq was behind the agitation.

The price of bread, a staple for Jordan's fast-growing population, rose from around 12 cents to 26 cents last week, after the government sharply reduced wheat subsidies to help reduce its budget deficit. The areas which have risen against the regime are predominantly tribal and Bedouin – the bedrock of King Hussein's 44-year-long rule – whereas the monarchy has traditionally regarded the 60 per cent majority of Palestinians in the country as its most serious security concern.

Although provoked primarily by the government's austerity programme, "East Bank" or native Jordanians have also become increasingly unhappy with the peace treaty the king reached with Israel in 1994. This opposition has intensified following the election in May of a rightwing government in Israel under Mr Benjamin Netanyahu, which has ruled out a Palestinian state on the West Bank and said it will not surrender conquered Arab land in exchange for a comprehensive Middle East peace.

River of frustration..............Page 4

After the 1989 riots, the King restored parliament, dissolved in 1967 after pan-Arab nationalist agitation. The fundamentalist Islamic Action Front – the Jordanian arm of the pan-Islamic Moslem Brotherhood – became the biggest party, with 34 of the 80 seats. Its presence was reduced to 16 in favour of

Continued on Page 16

King Hussein, on arriving in the riot-torn Jordanian town of Karak, shakes hands with one of the soldiers sent there at the weekend to restore order Picture: Reuters

Cash seized at home of Indian ministry official

By Shiraz Sidhva in New Delhi

A senior finance official in the Indian telecommunications ministry was arrested on Saturday after a raid by federal police at her government flat yielded more than Rs232,000 ($6,516), 20 expensive watches and more than 1kg of gold jewellery.

The raid came only a day after Rs36.5m in cash was seized from two homes of Mr Sukh Ram, a former communications minister. Officials said Ms Runu Ghosh, the official arrested on Saturday, had been a close associate of Mr Ram when he headed the ministry in the Congress government of Mr P.V. Narasimha Rao which was defeated in general elections earlier this year.

The haul at Mr Ram's homes was the largest seizure of cash ever made by police in India from the home of a politician. Twenty Central Bureau of Investigation investigators spent more than 24 hours counting the bundles of cash which had been stored in polythene bags, suitcases and bed sheets. "I have never seen so much money in my life," said Mr Joginder Singh, director of the CBI, the country's main anti-corruption agency.

Mr Jaipal Reddy, spokesman of the ruling United Front coalition government of prime minister H.D. Deve Gowda, said the raid at Mr Ram's home was "only the tip of the iceberg". He added: "This is a most primitive way of accumulating capital."

Mr Ram is reported to be in London. A CBI spokesman said no arrest warrant had been issued for Mr Ram so far, but a bribery case had been filed against him. It involved the alleged disappearance of Rs16.8m from the national exchequer involving the purchase of telecommunications equipment from Advanced Radio Masts Limited, a Hyderabad-based member of a consortium which has bid for providing basic telecom services in the state of Rajasthan.

The spokesman said the current investigation has not covered the award of controversial tenders for privatising the country's basic and cellular telephone system.

Officials at Indian and foreign telecommunications companies said at the weekend that the investigation against Mr Ram may delay the award of contracts for privatising telephone services.

While in office, Mr Ram was accused by the opposition of favouring a little-known company in his home state, Himachal Pradesh, when awarding telecommunications contracts. Members of Congress (I), already embarrassed by a recent bribery case against Mr Rao, said they were "shocked and ashamed" by the disclosures against Mr Ram.

"Everyone talks openly of corruption in the telecommunications ministry, and yet Mr Rao took no action against Mr Sukh Ram," said Mr Rajesh Pilot, member of the Congress Working Committee and a former telecommunications minister.

"We will demand strict disciplinary action against Mr Ram in the party," he said.

CONTENTS

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lit 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDH16	Slovak Rp	Sk65		
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kcs80	India	Rs75	Nigeria	Naira80	Spain	Pta250		
Denmark	DKr18	Israel	Shk7.50	Norway	NKr22.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00		
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 3.50	Tunisia	Din1.750		
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Esc340	Turkey	L130,000		
Germany	DM4.00	Lebanon	L13,000			UAE	Dh12.00		

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Bonn presses Paris on military projects

By David Owen in Paris

Mr Volker Rühe, Germany's defence minister, yesterday stepped up pressure on France for a swift resolution of the two countries' differences over several military equipment projects.

Speaking before a meeting in eastern France with Mr Charles Millon, his French opposite number, Mr Rühe said a solution to the problems needed to be found by the end of this year.

He said that the two countries would take stock of their co-operation on a number of equipment programmes – ranging from the Tiger attack helicopter to the Helios reconnaissance satellite – at the next regular Franco-German summit. This would take place in Germany on December 9.

Tensions over military co-operation between the two countries appeared to be heightened last month, first by the German defence ministry's suggestion that a number of joint weapons projects would have to be reviewed in the light of smaller defence budgets in both countries, then by France's announcement of a reduction of its military personnel in Germany.

From Bonn's viewpoint, it is the Tiger that is thought to present the most difficulties. It wants an agreement on the manufacture of *the NH90 transport helicopter to* guarantee army mobility.

Yesterday's talks – described as "friendly" by the French defence ministry – began over lunch in a country inn near Belley, the small town east of Lyons of which Mr Millon is mayor. Bosnia and Nato were also on the agenda.

Mr Rühe said he was "sad" at the proposed French troop withdrawals and hoped the "intimacy" created by the presence of French soldiers in Germany would be preserved in the Franco-German bri*gade that is part of the Eurocorps.*

Paris has indicated it will leave only 3,000 French troops in Germany by the end of 1999, down from about 20,000 at present. The cuts stem from President Jacques Chirac's decision earlier this year to end nearly a century of military conscription and to peg defence spending for 1997-2002 at an annual FFr185bn ($36.2bn).

Mr Millon said France would "move ahead on these decisions in a gradual manner so there will be no unmanageable repercussions in *the field". He said Paris would* carry out its military reform plans in close-co-operation with its neighbour. "Mr Rühe is disappointed by the departure of some regiments but he understands the reforms," he said.

Survey shows optimism on Emu

By Gillian Tett, Economics Correspondent

Growing confidence in European monetary union is demonstrated today by a survey that shows four fifths of European Union economists now expect it to begin in 1999 as scheduled.

The report – collected by the UK group Consensus Economics early last week – found that over 80 per cent of EU economists still expect Emu to proceed and none of the 75 economists surveyed forecast that the project would be abandoned.

Back in January only 57 per cent of the same panel expected it to go ahead, *while 3.2 per cent predicted* it would be abandoned.

The survey is striking, given the recent turmoil in the financial markets. In the last two weeks the French franc has been weakened by rumours that France will face severe difficulties in meeting the budget deficit criterion for Emu.

The main reason for the increased optimism is a growing belief that Maastricht Emu criteria will be interpreted flexibly. The consensus forecast among the economists is that Germany and France will miss the condition that a budget deficit must be no more than 3 per cent of gross domestic product. Germany is also expected to miss the criterion that debt should be no more than 60 per cent of GDP.

The most likely candidates for membership were considered to be Germany, France and the Netherlands, closely followed by Belgium, Austria and Ireland.

Denmark, strikingly, was also considered a possible member, with 42 per cent of economists predicting Emu entry – even though the country has the right to "opt out." A similar proportion of economists thought that Finland would join. But only 13 per cent of economists predicted Swedish participation. Italy's chances of membership were deemed the second lowest in the EU, only marginally higher than Greece.

However, these overall numbers concealed some intriguing national splits. A quarter of Italian economists thought that Italy had a chance of membership, but no German and French economists agreed.

Meanwhile, about a tenth of German and French forecasters thought the UK might be a member, but no UK forecasters predicted this. Seventy per cent of French forocasters expect to see Danish membership, although only 23.5 per cent of UK forecasters agree.

UK economists remain the most downbeat about Emu, with only 71.4 per cent predicting that it will go ahead. Nevertheless, this is a sharp increase on the picture six months ago, when only 27.5 per cent were anticipating the project.

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Bitter legacy keeps Cyprus split

Anger grows at failure to reunify the island, **Kerin Hope** writes

At cafés near the Dherinia Checkpoint on Cyprus's Green Line, the UN-patrolled buffer zone that keeps Greek and Turkish Cypriots apart, a pair of binoculars comes with the coffee.

A quick look through them shows a speeding Turkish armoured vehicle, a stretch of wasteland and the derelict buildings of Famagusta, one of the Mediterranean's most popular tourist resorts until the 1974 Turkish invasion turned it into a ghost town.

Mr Spyros Solomou, whose son Solomos was killed last week by a Turkish Cypriot soldier as he tried to pull down a Turkish flag from a sentry post at Dherinia, says: "Solomos was four years old when the Turks started bombing and we fled Famagusta. He always wanted to go across and see where he was born. I believe *he was on the way when he* was shot."

The family lives on a refugee housing estate, in a bungalow built by Mr Solomos and his sons at weekends after reviving their family woodworking business. From the checkpoint, they can see their former home, a villa just inside the self-proclaimed Turkish-Cypriot republic in northern Cyprus.

A younger generation of Greek Cypriots, who feel increasingly frustrated at the politicians' failure to reunify the island, were prominent in last week's clashes on the Green Line, the most serious intercommunal violence since the invasion.

Mr Costas Simitis, Greece's prime minister, urged restraint during a visit to Cyprus at the weekend, saying the island could only be reunited by "peaceful means through diplomatic efforts", writes Kerin Hope. Mr Simitis (pictured seated left) with Cypriot president Glafkos Clerides (right) visited the families of two Greek Cypriots killed in clashes last week with *Turkish Cypriots. His trip followed one by Mrs Tansu Çiller, the Turkish foreign minister,* to the Turkish Cypriot sector, where she accused Greek Cypriots of provoking the clashes.

The Greek premier backed the Cypriot president's position that Cyprus should be demilitarised as part of a settlement. However, Mr Simitis pledged military support for the Greek Cypriots if they were attacked.

Picture: Reuter

Mr George Hadjikostas, who led a group of Greek Cypriot motorcyclists on a ride from Berlin to the buffer zone, to draw international media attention to the division of Cyprus, says: "We decided to demonstrate because biking carries an image of freedom, and we're denied freedom of movement on our own island. I can ride across America if I want, but not to my family home."

Though unmarked for much of its length, the Green Line is a formidable barrier. Only a few of the 2m foreign tourists hosted every year by the Greek Cypriots make the day trip north from Nicosia, which requires them to return to the UN checkpoint before sunset.

On weekdays, about 6,000 Turkish Cypriots cross the buffer zone to work at construction sites in the south.

A *few* Greek Cypriots, mostly parliamentary deputies and officials from non-government organisations, make occasional visits to the Turkish Cypriot sector. Turkish Cypriot officials are usually willing to drive them to their former homes, they say. If not derelict, these are occupied by a Turkish officer's family or settlers from mainland Turkey.

Property is a key issue of the Cyprus problem. About 180,000 Greek Cypriots, about 30 per cent of the island's population, abandoned homes and businesses in the north after the invasion, but only about 30,000 Turkish Cypriots moved out of southern Cyprus.

Mr Kyriacos Pourgouris, from the citrus-growing district of Morphou, says: "Our family made a comfortable living from 20 acres of orange, lemon and grapefruit trees. We don't need compensation because we're doing well, but we'll feel uprooted until we can go back."

The Greek Cypriot government keeps Turkish Cypriot property in trust for its owners, making homes and business premises available to refugees from the north in return for a nominal rent. One official said: "In fact, the value of Turkish Cypriot property has soared because tourism has pushed up land values in the south."

However, Greek Cypriot officials claim the Turkish Cypriot administration has started issuing title deeds to some of the 80,000 settlers from mainland Turkey, while senior Turkish officers serving with the 30,000-strong military garrison have kept Greek Cypriot villas as holiday homes after their posting on Cyprus ends.

Slow track for German rail sell-off

The primary aim of politicians is to increase use of the railways, reports **Charles Batchelor**

Unlike its high-speed Intercity Express trains, which slice through the countryside at speeds of up to 280kph, German Rail – Deutsche Bahn (DB) – is making much slower progress on the way to full-scale privatisation.

Established as a commercial company in January 1994, with the government as sole shareholder, DB does not expect to split off its individual operating divisions – freight, local passenger services and long-distance passenger rail – into separate businesses until early next year.

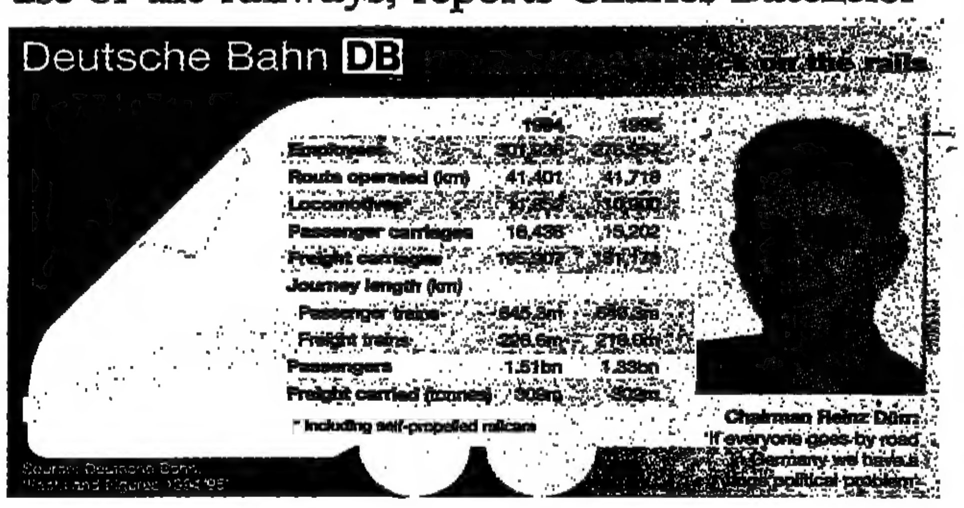
A further three years of independent operation will be needed before these companies can be floated on the stock market, but even then ownership of track and other infrastructure is expected to remain indefinitely in state hands.

"The process of reform will take eight to 10 years," says Mr Heinz Dürr, chairman. He contrasts the prime aim of Germany's politicians, to increase use of rail after decades of neglect, with what he sees as the narrower financial considerations of the British government in privatising its rail network.

"We are transit country number one in Europe," explains Mr Dürr.

"If everyone goes by road through Germany we have a huge political problem."

Despite the German government's willingness to write off accumulated debts of DM66bn ($44bn) to set the privatised railway network up on a firm footing, the collapse of East Germany with its chronically underinvested rail system placed a huge additional burden on rail managers.



Meanwhile, considerable sums of public money will continue to be invested in modernising the network, especially in the former East Germany. Total investments in 1996-2000 will be DM77bn ($52bn).

DB's first two years in the commercial sector have both produced pre-tax surpluses, rising from DM491m in 1994 to DM553m last year for the group as a whole, on turnover up from DM29bn to DM29.8bn.

"No one expected us to be in the black," says Mr Dürr. "We are on the right track. But we can't make high profits because we are still receiving taxpayers' money."

"It might seem no big deal for us to make a profit in view of the large write-offs and other help we were given, but this was against the background of a sharp decline in our freight business," says Mr Frank Ludwig, director of transport policy. Deregulation of the German haulage industry and the collapse of communism led to an influx of cut-price road hauliers from eastern Europe and the railway's freight business, which still accounts for nearly a third of turnover, remains under strong competitive pressure.

As part of its cost-cutting drive DB is reducing staff numbers, down from 343,000 in 1993 to 256,000 now, and putting pressure on equipment suppliers to reduce prices. The average cost of new trains, measured by the cost per seat, is down from DM25,000 to DM16,000.

In the longer term, the greatest potential challenge lies in the prospect of new competition emerging for freight and passenger services. But in practice this seems unlikely to happen in the near term because of the cost of acquiring rolling stock to launch new services.

In the past, competing railways have run trains on the national rail network – at DB's discretion – but these have been either freight services mainly serving factory or harbour installations or municipally owned passenger services. There has been no competition from purely commercial operators.

"We have not seen any new private operators come along," says Mr Ludwig. "The reason is that entry costs are so high and margins are small. Things are changing though not as fast as people wanted."

Interest in running competing trains may be starting to emerge, though. BASF, the chemicals group, recently announced plans to run freight trains on the DB network.

Apart from the economic uncertainties of launching rail services, private operators may be deterred by DB's continued ownership of both infrastructure and competing train services.

The company points out that private operators can complain to the industry's regulator, the Federal Rail Office, or to the Federal Cartel Office if they believe they have been unfairly treated. But these safeguards are no substitute for a complete split of track ownership from train operations.

DB, for its part, is afraid that private operators would "cherry pick" the most profitable services. If private operators began running trains carrying bulk freight, which is profitable, this could force DB to scale down marginal freight activities, currently cross-subsidised, such as piggy-back road trailers on rail wagons.

Privatisation of Germany's railways is still at a very early stage and remains hedged with uncertainties. It continues to enjoy considerable public subsidies but the mechanisms for introducing true competition appear less robust. Greater political consensus on the role and importance of rail allows railway managers a generous timetable to complete the experiment though ultimately it will be judged on its ability to cut subsidies and raise efficiencies.

INTERNATIONAL NEWS DIGEST

Philippine bid to end revolt

Mr Nur Misuari, leader of the Philippines' largest Moslem separatist group, is to meet President Fidel Ramos today in a move to be jointly presented as the end of a conflict which has claimed 50,000-100,000 lives.

The meeting, to take place in Mindanao, the Philippines' southernmost island, and home to most of the country's 5m Moslems, paves the way for the signing in Jakarta of a permanent peace deal between Manila and the Moslems at the end of the month.

Described by the Malacanang Palace as an "historic" event, it will be the first meeting between the formerly exiled Mr Misuari and Mr Ramos since he was elected president in 1992.

Edward Luce, Manila

Germans probe Libyan sales

The German authorities are investigating two companies in the north German town of Mönchengladbach that are suspected of illegally supplying Libya with sophisticated computer equipment for use in a plant to produce poison gas and chemical weapons, the Südwestfunk television channel reported yesterday. The Mönchengladbach public prosecutors office, which yesterday was unavailable for comment, has scheduled a *press* conference to discuss the case later today.

According to Südwestfunk, CSS Semiconductor Equipment and Indicator Datenverarbeitungs Service are being investigated for possible infractions of Germany's foreign trade and arms control laws. The television station reported that two employees of the companies have been arrested and a warrant has been issued for the arrest of a German citizen. In Bonn, the economics ministry said it was aware of the investigation but could not yet comment.

Peter Norman, Bonn

Illegal immigrants eye Spain

Spanish police have intercepted an unprecedented number of North Africans trying to enter the European Union illegally by crossing the Strait of Gibraltar in small boats. Government officials said more than 1,500 had been detained so far this summer, of whom about 600 had already been deported. The migrants, crammed in outboard-motor dinghies and without identification papers, are mostly male Moroccans.

More than 250 have been picked up by maritime Civil Guard patrols in the past week, including four boatloads with a total of 103 people early on Friday near Tarifa, the closest point to the Moroccan coast. The influx has apparently been augmented by confusion over prospects for obtaining legal status in Spain. The Spanish authorities have given immigrants who have previous residence or work permits until August 23 to legalise their situation, but this does not apply to new arrivals.

Mr Isaías Pérez, head of social affairs in Andalucía's regional government, warned of further migration waves unless the European Union increased economic aid to alleviate conditions in North African countries. The region, he said "cannot be the guardian of the west, just with defensive policies".

David White, Madrid

Credit Suisse in job cuts deal

Credit Suisse, the second biggest Swiss banking group, has reached agreement with its staff associations on ways to soften the impact of the 3,500 jobs which will be lost as a result of its restructuring announced last month. CS has accepted the reduction in the number of jobs will be achieved almost entirely without redundancies. Up to 2,100 jobs will disappear as a result of normal staff turnover, and increased use of part-time working, retraining for new jobs, and improved early retirement terms will account for the rest. The proportion of part-time workers will increase from 16 per cent to 20 per cent and Credit Suisse has agreed to maintain the number of traineeships for school leavers and university graduates in 1997-98 at current year levels.

The scale of the job losses at Credit Suisse has caused considerable concern in Switzerland which is struggling to come to terms with a historically high rate of unemployment which shows no sign of falling. The fact that Mr Rainer Gut, Credit Suisse's chairman, led the negotiating team underlines how seriously the bank took the criticism that it was undermining the Swiss economy. The Swiss Bank Employees Association and the Swiss Association of Commercial Employees, who have been negotiating for improved terms, says that Credit Suisse has come up with a solution which is "very progressive by Swiss standards".

William Hall, Zurich

China's paper demand soars

China's annual demand for paper is expected to exceed 30m tonnes by 2000, up from the present 25m tonnes, according to the China Packaging News. China's 5,600 paper mills produce 21.3m tonnes of paper and paperboard a year. China imports about 5m tonnes of paper products to cope with booming demand in its packaging and other industries. China ranks third in the world in paper production, but the new consumer era is putting a heavy strain on existing resources. The explosion in newspaper and magazine titles means China is one of the world's leading newsprint importers. China imported 3m tonnes of paper and paperboard in 1995, 800,000 tonnes of pulp and 900,000 tonnes of waste paper.

Tony Walker, Beijing

Russian airmen elude Afghans

Seven Russian airmen held hostage by the Taliban Islamic militia in Afghanistan escaped their captors and have arrived in the United Arab Emirates, a senior Pakistani official said yesterday. Giving the first details of the escape the official said that the seven crew members overpowered their Afghan guards and flew out from Afghanistan's southern town of Kandahar, in their Ilyushin-76 cargo aircraft, arriving in the UAE on Friday.

Pakistani officials said they were still trying to confirm the status of three Afghan gunmen who arrived in the UAE with the Russian airmen. It wasn't clear if the gunmen had defected from the Taliban or were overpowered by the Russians.

The Russian crew was forced to land by a Taliban Mig-19 fighter at Kandahar a year ago while flying with a load of arms and relief supplies from Albania, for the beleaguered government of Mr Burhanuddin Rabbani, the Afghan president.

Farhan Bokhari, Islamabad

World drug sales show modest 6% growth rate

By Daniel Green

World drugs sales in the first five months of this year were up a modest 6 per cent on a year earlier at $58.5bn, according to figures published today.

A year ago, sales were growing by 11 per cent; that was the best growth rate for at least two years.

The figures cover pharmacy sales in the world's 10 biggest markets, as collected by *the specialist market* researcher IMS International.

They show the US as the biggest market with sales increasing by 6 per cent, excluding currency effects, to $23.5bn.

The fastest growing of the main markets was Italy, with sales up 13 per cent to $3.8bn. This is partly a recovery from two years of poor or negative growth as a result of government measures to curb the increase in spending on drugs.

Japan was the second biggest market, with sales rising 1 per cent to $9.6bn. This represents a sharp improvement from the first quarter, when sales were held back by distributors destocking in anticipation of government-mandated price cuts.

Germany, the third biggest market, grew 7 per cent to $7.1bn, while France grew 6 per cent to $6.4bn. Both these compare with 8 per cent growth for the first four months of the year.

World pharmacy drug purchases* January-May 1996 $m

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Belgium	Neths
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alimentary/Metabolism	3,790	1,914	1,174	997	616	536	356	238	125	168
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Anti-infectives	2,422	1,122	534	794	524	179	276	115	108	52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blood Agents	1,174	881	317	416	223	85	126	106	41	51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Others	4,360	2,647	1,472	972	765	509	412	277	142	137
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change%**	5	1	7	6	13	11	10	4	9	4

Source: IMS International *Non-hospital market only **Increase excluding currency fluctuations

UK sales grew 11 per cent to $2.7bn, the same as for the first four months, but compared with 9 per cent for the same period a year ago.

By medical area, anti-infectives, which include both antibiotics and antiviral drugs, showed a sharp recovery from the early months of the year when a mild influenza season cut sales sharply compared with 1995. Sales fell 2 per cent to $6.1bn, compared with a fall of 5 per cent in the first quarter and a rise of 21 per cent in the first five months of 1995.

Nervous system drugs, which include antidepressants such as Prozac, made by US drugs company Eli Lilly, were the fastest growing of the main medical areas. Sales grew 13 per cent to $8bn.

Heart drugs remained the biggest single area, with sales up 4 per cent to $10.2bn. The sector is subject to severe competition.

هكذا من الأصل

NEWS: ASIA-PACIFIC

Beijing condemns US law on sanctions

By Tony Walker in Beijing

China has sharply criticised the US over a new law which threatens sanctions against companies doing business with Iran and Libya, accusing it of dictatorial behaviour.

A signed article in Outlook, an authoritative weekly Communist party magazine, said Washington was engaging in "serial sanctions" in its threats to penalise foreign companies which invest more than $40m in Iran or Libya.

The US says both countries sponsor international terrorism and have been involved in terrorist acts against American citizens.

The US, the article said in language reminiscent of the cold war period, was guilty of "hegemonical thinking". It was also "practising interventionism to make itself a dictator of international, political and economic affairs".

"Placing its own law above international laws and practising extra-territoriality showed incisively the US hegemonical ideology of overweening arrogance that those who submitted would prosper and those who resisted would perish," it added.

The commentator said the new law showed the "US ideology of power politics had shifted from politics to economy, and its means of sanctions from multilateral sanctions to unilateral sanctions."

The Outlook commentary goes further than strong criticism in Europe of the US "anti-terrorist" measures and reflects Chinese irritation with US pressures on a wide range of issues from human rights to arms proliferation.

The commentary also repeated Chinese criticism of Congress's Helms-Burton law which seeks to impose sanctions against "non-American" companies engaging in business with Cuba.

"As the only superpower after the end of the cold war, the US having the UN in its power stubbornly practised multilateral interventionism and succeeded in certain cases," the article said.

The article said, however, the US had never expected its "serial sanctions" would arouse "serial condemnations... and possibly serial counter-sanctions".

The measures, the commentary added, "violated" the UN principle of equality and sovereignty. They also posed a serious threat to the World Trade Organisation and risked aggravating regional tensions.

Handshake hides a struggle in Jakarta

Troops guard roads as Megawati meets Suharto, writes Manuela Saragosa

The polite handshake did not hint at the struggle of the past month. Ms Megawati Sukarnoputri was courteous and President Suharto a gracious host when they greeted each other at Independence Day celebrations at Jakarta's neo-classical Istana Merdeka palace at the weekend.

It was their first meeting since Ms Megawati was ousted more than a month ago as leader of the opposition Indonesian Democratic party (PDI) by a government-backed candidate, provoking the worst riots in Jakarta in 20 years.

This was no normal meeting and evidence that all was not normal was apparent outside the palace walls. Troops guarded roads leading to the palace and Proklamasi Square, venue for alternative, pro-democracy celebrations last year, was sealed off and guarded.

On Friday, President Suharto had delivered a state of the nation address in which he had pointedly refused to make reference to Ms Megawati, though he pinned blame for the riots squarely on communists.

The presidential address is conventionally "long on economic development and short on politics," but Friday's offering was an exception.

Megawati Sukarnopatri fanning herself at Saturday's Independence Day celebrations Reuter

No change was needed in the country's political structure, the president said. He talked of the riots unsettling the hard-won "consensus" and that, in any case, the perpetrators did not enjoy broad support; he warned Indonesians of a communist threat, and referred to his government's continuing efforts to suppress such agitation.

Thirty years ago, President Suharto put down an alleged communist coup and an estimated 500,000 were killed by government forces. For President Suharto, communists were the bogey then; they remain so today. Diplomats and analysts say his obsession with "communists" is a sign he may be out of touch with the population.

The president's legitimacy partly rests on his suppression of the "communist spectre", since when his country has enjoyed stability and economic growth averaging 6 per cent.

To Ms Megawati and her supporters, references to "communists" are irrelevant and disguise deeper causes of political unrest.

"There are a lot of problems which can't be solved properly [by this government]; this results in the emergence of social gaps which are vast, and problems of land rights and unemployment," she says.

The "communist threat" also seems a tactic to deflect attention from Ms Megawati. To the government, she represented a threat as the PDI leader because her party's calls for democratic reform and her popularity (she is the daughter of Indonesia's founding President Sukarno, who was ousted by Mr Suharto in 1965) risked robbing the president's Golkar party of votes at next year's general elections.

"She doesn't have to do anything. The more the government persecutes her and her supporters the more they boost her popularity," a Jakarta political analyst says.

Yet her popularity is impossible to measure. Most agree, however, that her support is rooted in the continuing appeal of her father. "My father is still widely respected in this country, but I also have my own role. I have my own say, without which my last name would be meaningless."

She remains reserved about her intentions. "Victory or defeat is not something I care about. It's the struggle that I care about. Of course, it is the people who will judge how true the [government's] claim is that this country is founded on the rule of law and how far the law is being upheld."

This, however vague, amounts to a political agenda, say analysts. "No one really knows what Megawati is thinking," says Ms Dewi Fortuna Anwar, political scientist at the Indonesian Institute of Sciences. Nevertheless, "it would be politically costly for Suharto to arrest Megawati."

However, the riots have given the government a pretext to crack down on activists ahead of next year's parliamentary elections.

At the same time, the government has avoided pointing a finger at Ms Megawati and instead blamed the riots on Budiman Sujatmiko, leader of the People's Democratic Party (PRD), a group which calls for democratic reform and has publicly supported Ms Megawati.

Ms Megawati's future is, in effect, on hold. She is a member of parliament, though no longer with a role in the neutralised PDI. Having been marginalised, her rehabilitation in the political mainstream will be tough.

She gives no clues about her intentions. "I'm in a difficult situation," she says. Just as she was when greeting her adversary at his presidential palace.

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Doubts raised over Vietnam banks' lending

By Jeremy Grant in Hanoi

A confidential report by Vietnam's central bank has exposed the precarious financial health of the 54 joint stock banks that have sprung up in the past five years of the country's tentative banking reforms.

Foreign bankers and economists, who regard the joint stock banks as spearheading the country's move away from the inefficiencies of socialist-style banking, are likely to be shaken by the revelations of their fragility.

The report lists a series of chronic ills, slamming slack credit controls, swelling portfolios of "overdue loans" and "a failure in lending policies".

It found that most of the top-ranked joint stock banks, which control about 7 per cent of the lending market, compared with 18 per cent by foreign banks and 75 per cent by the dominant four state-owned banks, are saddled with "an alarming level" of unrecovered loans. Many lend amounts to single customers in excess of a statutory limit of 10 per cent of shareholders' funds, the report says.

Vietnam's joint stock banks are owned by shareholders, usually a mix of state-owned enterprises, state banks, prominent state sector businessmen and occasionally private investors. Maritime Bank, one of the biggest joint stock banks, includes in its list of shareholders a Hong Kong based investment fund.

This ownership structure has helped them become more responsive to market forces and reduced the banking sector's dependency on the kind of politically inspired lending that continues to keep much of Vietnam's state sector afloat.

In the report, investigators put "outstanding overdue loans" at another large joint stock bank, Eximbank, at 31.7 per cent of its loan book. The average for all joint stock banks was 13 per cent of all loans.

"For banks that have high overdue debt ratios and low credit quality, the State Bank shall take measures to restrict their operations until they have rectified their operations," it said.

The weaknesses exposed by the report may make for depressing reading for joint stock bank managers, but they also raise questions about the financial health of the four state-owned banks, where it is impossible to pin down how much of their loans would be classified as bad, under international accounting standards. Vietnamese banks have yet to recognise the concept of a non-performing loan.

Business slows to trickle as gates of netherworld open

Ghost Month puts the wind up Taiwanese

By Laura Tyson in Taipei

Superstition is both boon and bane for business in Taiwan during Ghost Month, when sales of fake money and incense soar but car and house purchases plummet, new business ventures are postponed and few dare get married or travel.

For during the seventh month of the lunar calendar, this year from August 12 to September 14, tradition has it that the gates of the netherworld are thrown open and ghosts swarm out to mingle with the living.

For certain industries, especially consumer-related, the effects of Ghost Month are particularly severe. Mr David Loeb of ING Baring Securities' Taipei office says that as a rule of thumb, passenger car sales fall to 60 per cent of average monthly levels during Ghost Month.

"The entire passenger car market suffers each year, so naturally we are also affected," a spokesman at BMW's Taiwan sales agent said.

Taiwanese try to placate the roaming spirits by burning paper money, holding Buddhist ceremonies and making offerings of food and drinks on the first, 15th and final days of Ghost Month. But during this most inauspicious time, only the foolhardy tempt fate by doing more than is necessary.

"The ghosts don't try to kill you and take your body so they can continue to live or anything like that," said Ms Chen Chen-mei, who performed a money-burning ritual in front of her shop. "It's just a very unlucky period, so people feel it's safer to stay at home."

Some industries must calculate Ghost Month into their business plans. Besides cars, the construction industry slows to a crawl at this time of year. "Very few people will launch new projects or buy apartments during this time," Mr Loeb says.

A spokeswoman at Cathay Construction, a leading building concern, said work continues on projects already under way, but marketing of pre-sale units is suspended during the month.

To attract customers, department stores, bridal shops and hotels offer reduced rates and special offers. Restaurants also see less business.

Taipei's Grand Hyatt, the island's biggest hotel, said banquet business falls to about a third of normal levels, partly because of the sharp drop in weddings. Because many of the Hyatt's guests are foreigners, occupancy levels are stable but other five-star hotels in the capital report fewer guests, due to reduced tourism.

For many Taiwanese, even those educated overseas, the modern-day world of high-rises, cellular phones, supersonic travel and luxury cars co-exists with spiritual beliefs rooted in traditions of an agricultural society which has all but vanished.

"Ghost Month is just part of our customs. Many people, especially the older generation, say: 'Don't go to the beach, don't stay out late, don't do this, don't do that,'" explained Ms Huang Chu-li, a secretary. "I've never seen a ghost myself, so I can't say I believe in them but I can't say I don't believe in them either. Either way, I'm still afraid."

Young people are admonished not to go swimming, for fear a ghost may pull them under. Couples are told they will have ill fortune if they marry during Ghost Month. Hospitals report a rise in caesarean sections by expectant mothers on the eve of Ghost Month, and patients delay needed surgery until after the dreaded lunar "July" is finished.

Still, not everyone worries about fending off the homeless and hungry roving spirits. "My grandmother is a Christian, so our family doesn't believe in all these superstitions," said Ms Li Wen-yi, a university student. "We don't really pay any attention to Ghost Month."

Thai telecom deal underlines shady business-politics links

Ted Bardacke reports on the problems of the Banharn government as claims of corruption dominate political life

It was the kind of deal that would normally make headlines. The state-owned Telephone Organisation of Thailand (TOT) and TelecomAsia, a subsidiary of the country's largest industrial conglomerate, the CP Group, last Thursday signed an agreement broadening the private company's concession in fixed phone lines to include the Personal Handyphone System, a low-cost mobile phone system that has swept Japan.

But the hastily arranged signing ceremony, uncharacteristicly sedate for the two powerful organisations, barely caused a ripple.

Thailand was instead focused on the fate of the crumbling government coalition of Prime Minister Banharn Silpa-archa and his defiant national address later that evening, when he vowed to continue in office in spite of holding only a slim majority in parliament after Wednesday's withdrawal of the Palang Dharma party (PDP).

In fact, with Thailand's political radar so finely tuned, the venture should have come under more scrutiny. It is just one of many business deals driving wedges in the government coalition, with party leaders seen to be moving to protect their own financial interests or to further the fortunes of powerful business groups with whom they are allied.

In addition to the new TelecomAsia concession, other politically controversial deals include the plan for a stock market listing for state-controlled oil refiner Thai Oil and the bribery charges surrounding new domestic banking licences, allegations which sparked PDP's pullout.

The TelecomAsia deal was rushed – final terms were still being negotiated when the TOT board approved a plan different from the one approved by the Thai cabinet – on orders of Deputy Prime Minister Gen Chavalit Yongchaiyudh, according to TOT officials.

Chavalit (left) and Thaksin: clashed over satellite

"It was certainly politically motivated," says Mr Paul Ngo, telecommunications analyst with ING Barings Securities. "Chavalit wanted to give TelecomAsia some insurance just in case this government collapses."

Gen Chavalit, who is also defence minister and leader of the New Aspiration party, the coalition's second largest, makes no secret of his desire to become prime minister if a new election is called.

To do so he needs money: not just for the traditional vote-buying that accompanies a Thai political campaign but to buy MPs with safe seats for his party in a bid to become the largest in parliament.

Whether TelecomAsia will oblige will never be known. Unenforced and arcane campaign financing laws ensure that. And Gen Chavalit denies being on anybody's payroll, but admits "as a politician I'm supposed to serve businessmen".

The problem, as far as coalition politics is concerned, is that the TelecomAsia deal is a challenge to Thailand's existing mobile phone operators, including Advanced Info Service, owned by PDP leader Mr Thaksin Shinawatra. Mr Thaksin, who earlier this year clashed with Gen Chavalit over the latter's plan to launch a $1bn military satellite that would compete with the former's satellite communication business, also will need to harness resources for a new election.

The close intersection between politics and business in Thailand "is not new but it's more apparent now because business is more transparent. A decade ago politicians weren't involved in companies listed on the stock market," says Mr Korn Chatikanvanij, president of Jardine Fleming Thanakom Securities. "Also the sums involved now are mind-boggling."

In the bank licence case, where Justice Minister Chalerm Yoonbamrung alleged that kickbacks were involved in the awarding of new licences, transparency certainly helped fuel the political fire. Applicants were required to submit a detailed list of shareholders, providing lots of fodder.

Mr Chalerm said Mr Thaksin was upset about the bribery allegations only because his brother-in-law was part of one of the winning consortiums.

Mr Thaksin shot back with his own accusation: "Chalerm made the payment allegation because somebody who was not given a licence wrongly thought those who had [been given licences] had bought them. That somebody happens to be (Asia Times publisher) Sondhi Limthongkul... who is a close friend of Mr Chalerm."

In the same cabinet meeting where the bank licence issue was discussed, Mr Chalerm and Mr Thaksin clashed when Mr Chalerm added onerous conditions to a PDP proposal to list Thai Oil on the stock market.

Mr Chalerm is understood to hold a grudge against Mr Kaseme Chatikavanij, Thai Oil chairman, who as governor of the Electricity Generating Authority of Thailand (Egat) in 1990 fought off a bid by Mr Chalerm, then a Prime Minister's Office minister and on his way to being declared "usually rich" after the 1991 military coup, to get control of some of Egat's lucrative contracts.

Taking stock of recent events, Mr Anand Panyarachun, former premier and champion of clean, efficient government, says the roots of the bickering are "the shamelessness of our leaders today." He says: "When leaders are shameless, they can do anything, whether it's corruption or creating a new crisis."

River of frustration overflows in Jordan

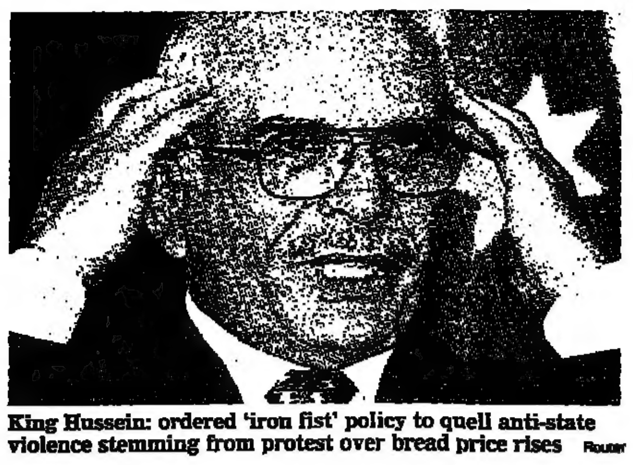
By David Gardner
Middle East Editor

On the east bank of the Jordan Valley a river of frustration is overflowing.

King Hussein of Jordan, who has survived for 44 years as ruler of the territory ceded by British colonial authorities to his grandfather as an ungovernable area overrun by lawless Bedouin, is facing a revolt just when his margin for manoeuvre is contracting.

The crisis has been triggered by a doubling of bread prices, agreed as part of an International Monetary Fund-sponsored programme to cut the budget deficit and deepen structural reform of Jordan's economy.

As in similarly fierce rioting in 1989 sparked by an IMF-backed fuel price rise, it is the Bedouin tribes and ethnic "East Bank" Jordanians who have risen in ire, not the Palestinians. Originally from the Israeli-occupied West Bank, the latter form 60 per cent of the 4.3m population. The Bedouin army and an administration dominated by tribal grandees make up the bedrock of King Hussein's power base.



King Hussein: ordered 'iron fist' policy to quell anti-state violence stemming from protest over bread price rises Reuter

The king responded to the 1989 revolt with the first elections to parliament since 1957, and by sacking the prime minister. This time, he has suspended parliament, but cannot easily offer to sacrifice Prime Minister Abdel-Karim Kabariti, ushered into office this January as the emblem of a "white revolution": a new departure into accountable and efficient government.

The 1994 peace treaty with Israel, which King Hussein promised would help Jordan develop into a middle-income economy, is deeply unpopular, and has failed to deliver perceptible "peace dividends". Mr Kabariti, foreign minister in the previous government, is intimately associated with the king's strategic turn to rapprochement with Israel. To sack him would encourage already intense pressure to cut back on links with Israel.

The revolt began on Friday in the south Jordanian Crusader stronghold of Karak.

Karak was brought under control by élite Bedouin troops after two days in which banks and the local branch of the education ministry had been burned, and was yesterday under curfew.

But not before the rioting had spread through southern Jordan, engulfing Tafileh, Maan, and reaching the poor suburbs of Amman, the capital, yesterday.

The king, who enjoys great if not unquestioned authority in Jordan, has visited Karak and the south, and should be able to regain control. He has vowed to crush with "an iron fist any hand of any demented person and anyone who challenges security and instigates dissent."

The bread price rise is severe, from about $0.12 to $0.26 a kilo. The government has spent two months preparing the ground, intends to target bread subsidies on the neediest, and reasonably, has pointed to the paradox of how neighbouring countries such as Syria benefit most from Jordanian wheat subsidies through a lively smuggling industry.

The subsidy cut would yield about a third of the savings Jordan needs to meet IMF fiscal targets.

The government can point to a considerably strengthened economy. After near-disaster in 1989, when the dinar collapsed, Jordan defaulted on its then $8bn (£5.3bn) foreign debt, and a banking crisis ensued. But what it cannot claim is a level of per capita growth anywhere near the expectations it raised following peace with Israel.

The King's enthusiasm for closer links with Israel, plus his volte-face on Iraq after refusing to join the US-led alliance against President Saddam's 1990 invasion of Kuwait, is resented by his people.

Jordan did well out of hosting last November's Middle East economic summit in terms of soft loans, international donor approbation, and some foreign investment, but the much-touted Israel-Jordan-Palestine "triangle" of development is nowhere in sight.

Since the election in May of Mr Benjamin Netanyahu at the head of a hardline Israeli government hostile to trading conquered Arab land for peace, the king has gone further out on a limb by insisting little has changed in the regional peace process.

All this has helped crystallise broad discontent, centred on the Islamic Action Front, the Jordanian arm of the pan-Islamic Moslem Brotherhood.

To keep peace with Israel, King Hussein has had to roll back democratic reforms. To prepare for the elusive benefits of peace, he has had to impose hardship on his fast growing population. Mr Kabariti may have to go, but the king will need more than this and his Bedouin troops to persuade his people that he is leading them to prosperity and stable ties with Jordan's neighbours.

Accusations of rigging mar Lebanon poll

By Roula Khalaf in Beirut

Accusations of vote-rigging marred the start of Lebanon's parliamentary elections yesterday, the first in the post-civil war era in which anti-Syrian Christian candidates are taking part.

While thousands of Lebanese troops took up position in the Mount Lebanon region, the first constituency to vote, opposition candidates accused the government of pressurising voters and their government rivals claimed the electorate was being bribed.

One man was reported killed in a fight that broke out between two rival Druze clans in the Aley district, east of Beirut.

The Mount Lebanon constituency is regarded as the most controversial in the elections, due to stretch over five consecutive Sundays. At stake there are 35 seats in the 128-member chamber, with 24 reserved for Christians.

Christian Maronites, the largest Christian sect in Lebanon who traditionally dominated Lebanon's political scene, boycotted the 1992 parliamentary elections. As a result they were marginalised for the last four years.

This year, exiled Maronite leaders opposed to Syrian dominance of Lebanon called again for a boycott after parliament amended an electoral law which carved Mount Lebanon into smaller constituencies than in the rest of the country, dispersing the Christian electoral majority and ensuring a strong showing by allies of pro-Syrian Druze leader Walid Jumblatt.

However, some local Maronite leaders ignored the boycott call and are running in the elections. Initial interior ministry figures put turnout at between 40 and 55 per cent, the usual level seen in Lebanese elections, indicating the boycott call had largely been ignored.

Despite participation of such anti-Syrian candidates, the elections are expected to produce another largely pro-Syrian parliament.

This is important for Damascus at a time when Israeli prime minister Benjamin Netanyahu is attempting to isolate Syria in the peace process by proposing to withdraw from the south Lebanon strip while retaining hold of Syria's Golan Heights.

The proposal, rejected by Syria, would snuff out the resistance put up in south Lebanon by Hizbollah, the Islamist movement used by Damascus to pressurise Tel Aviv.

Despite the conviction that the elections are stage-managed in Damascus, which maintains about 40,000 troops in Lebanon, the poll has generated keen interest among the electorate. Hundreds of candidates have rushed to join the race, littering the capital with their posters.

The posters looming above all others are those of prime minister Rafiq Hariri, architect of Lebanon's reconstruction project and a candidate for a seat in Beirut.

The billionaire businessman is hoping a parliament seat will win him political legitimacy. It should also help him build a parliamentary bloc to move his reconstruction plan more smoothly through a chamber often resistant to his ambitious programme.

Brazil-Bolivia deal to spur gas project

Agreement has finally been reached between the Brazilian and Bolivian state oil companies on the financing of a natural gas pipeline between the two countries half a century after it was first proposed.

Construction of what will be one of Latin America's biggest infrastructure projects is scheduled to begin on September 4 but the future of the much-delayed pipeline remains unclear.

The agreement provides $400m for building the first stage of the pipeline, between Santa Cruz and the Brazilian border. Petrobrás, Brazil's state oil company, will provide $360m in advance payments to YPFB, its Bolivian counterpart. The rest will come in equity from the project's partners. YPFB will repay Petrobrás over 12 years, beginning six months after the pipeline starts operating in December 1998.

The scheme has attractions for both countries. For Bolivia, it is a crucial step to realising its new vision of becoming an energy "hub" for South America. Some three-fifths of total Bolivian territory (over 600,000 sq km) is considered potentially gas- or oil-bearing. Yet under half of that has been explored. Under 500 wells are at present producing.

The agreement enhances prospects for "capitalisation" of YPFB, set for September 26. Some 24 international companies have pre-qualified to bid for a 50 per cent stake in the three packages, two for exploration and production and one for transport, into which it has been divided for transfer to private sector management.

For Brazil, the pipeline offers a much-needed alternative energy source. Its power industry has suffered from under-investment for years. Recently, demand for electricity surged after the government success in cutting inflation; Brazil is dependent heavily on hydro-electric power, but low rainfall has left many reservoirs only 60 per cent full. With technological advances, natural gas has become more commercially attractive to the electricity industry.

'The pipeline is a step to regional integration in Latin America'

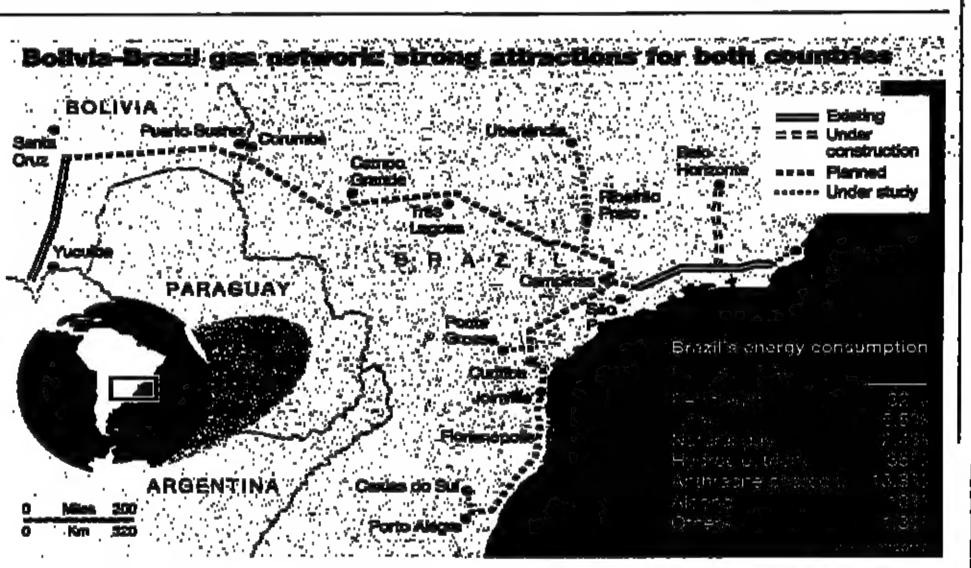
"In theory, the project is excellent news," says Mr Pedro Krepel, director for infrastructure at São Paulo's Federation of Industry. "Natural gas is efficient and provides an alternative power source. The pipeline is a step to regional integration. But gas at any price is not such good news. The model as it stands is a worry."

Critics say the 3,000km pipeline, which will carry up to 30m cu metres of natural gas a day between Santa Cruz in Bolivia and Porto Alegre in Brazil's extreme south, is too ambitious.

Financing for the Brazilian side has yet to be agreed. Requests have been made to the World Bank, the Inter-American Development Bank (IDB) and US and Japanese export credit agencies. Petrobrás and Brazil's foreign ministry said last week an agreement was imminent; officials at the World Bank and the IDB said a deal could be delayed another two or three years. The World Bank is said to be keen to see more private sector involvement.

To be economically attractive, the project should provide investors with an 18 per cent return on equity. Observers say investors on the Brazilian side would only be assured of an 18 per cent return if the pipeline

Bolivia-Brazil gas network: strong attractions for both countries



stopped at São Paulo. Continuing to Porto Alegre, they say, would reduce that return to 8 per cent.

Terminating the pipeline at São Paulo would allow Petrobrás to sell gas to distributors at about $1.80 per 1m BTUs (British thermal units). Completing the pipeline would force them to raise this to about $2.80 per 1m BTUs.

Petrobrás recently signed a contract with Brazil's southern state of Santa Catarina to supply gas at this price.

It has also secured an agreement from Comgas, the distributor in São Paulo where half the pipeline's gas will be sold, to pay the same. But Comgas says the price remains a big problem and no contract has been signed.

While these accords may help Petrobrás to reach deals with other distributors, thereby assisting its talks with financiers, observers say the high price may not be sustainable for more than three or four years. In Argentina, as a comparison, natural gas is sold to distributors at about $2 per 1m BTUs; Comgas is studying a possible investment in a rival pipeline to bring gas from Argentina.

"The Brazilian government is sending the wrong signals," says Mr Roberto Hukai, an energy consultant. "The private sector would love to run this pipeline on an economic basis, but the government insists on giving control to a vast public sector company."

Petrobrás' ability to keep its domination of the supply of natural gas will depend on legislation now in Brazil's congress. Amendments to the constitution last year opened supply of piped gas to the private sector and ended Petrobrás' monopoly in the petroleum industry.

But how far the door is opened to private operators will be determined by supplementary regulations unlikely to be voted on until October.

The project could also become embroiled politically. Ending the pipeline in São Paulo would be seen as favouring only one part of the country. Petrobrás' political influence could be important in the debate on whether to change the constitution to allow President Fernando Henrique Cardoso to run for a second term in 1998.

Jonathan Wheatley and Sally Bowen

Mexico forces a Wonderbra cover-up

Leslie Crawford on controversy sparked by a 'sensual' advertising campaign

She was first sighted above a flyover in Mexico City, a tall, shapely blonde wearing nothing but a satin brassiere. "I like what you are thinking," she purred.

Next, she was causing havoc on the airport road to Monterrey, transfixing drivers with the larger-than-life panorama of her cleavage. By the time she arrived in Guadalajara, her reputation preceded her. She was met by a phalanx of angry matrons, determined to make her stay in Guadalajara as brief and uncomfortable as possible.

Modesty prevails: From scant beginnings Wonderbra ads take on more attire in Mexico

The matrons picketed billboards, jammed the mayor's phonelines and wrote letters seething with indignation to the local press. A second battlefront was opened in Monterrey.

"Can anything be done to tear down the Wonderbra billboard on Vasconcelos street?" asked Mrs Silvia Perales in a letter to El Norte, the Monterrey newspaper. "The photograph is so sensual it can only serve to provoke lewd thoughts in our sons, our husbands and our teenagers. We don't want our streets filled with pornography, like in Europe," she complained.

"It won't be easy for mothers to fight this new menace," Mrs Carolina Lopez warned in another letter to El Norte. "Those who wish to advertise the Wonderbra in Monterrey should do so with dignified, Mexican-style campaigns; not this American rubbish."

Politicians entered the fray. Left-wingers accused anti-Wonderbra mayors of being reactionaries. Mr Felipe Calderón, leader of the conservative National Action Party, issued a general appeal to keep bras out of politics. "It is only the distributors of this brand which benefit from so much publicity," he said.

"We had to act quickly," says Mr Guillermo Fierro, the marketing manager at Playtex Apparel México, who launched the Wonderbra south of the Rio Grande. "The authorities in some municipalities were threatening to remove our outdoor advertisements, and even fine us, unless we could come up with a new campaign."

And so the Czech model Eva Herzigova, whose scantily clad image has become Wonderbra's trademark around the world, was clothed in leaflets and posters for the first time. The new ads feature Ms Herzigova in a suit, her eyes modestly downcast. Only her plunging neckline gives the game away.

Mr Fierro will not disclose the value of Wonderbra's sales in Mexico, but he claims the storm has been excellent free publicity for his product.

Back in the US, however, the controversy has made Sara Lee, maker of frozen foods and owner of lingerie trademarks such as Playtex, Cacharel and Wonderbra, register the shortcomings of transnational advertising.

The Wonderbra media campaign marked one of the first forays into global advertising by Sara Lee, whose lingerie brands earn more than $1bn in annual sales worldwide. Starting in the UK in 1994, the ads, featuring Ms Herzigova, were so successful Wonderbra could hardly keep up with demand. The company decided to use the same campaign in Europe and in the US, where Wonderbras are said to have sold at the rate of one every 15 seconds when they were launched in the autumn of 1994.

"People identified the brand with Eva. She became the Wonderbra girl. We invested considerable equity in that image," says Ms Clover Bergman, marketing vice-president at Wonderbra's headquarters in Winston-Salem, North Carolina. Her objective is to keep Ms Herzigova's image for Wonderbra's global market, despite Mexican reaction.

"What we have learned in Mexico is that in some countries we may have to change the visual," Ms Bergman says, "but we will deal with this on a case-by-case basis."

She says the company is not anticipating problems for its Asian launch in Hong Kong and Singapore later this year. The media campaign will feature Ms Herzigova, rather than an Asian model, in her original, Wonderbra-only attire. The captions, however, alone may be toned down to reflect local sensitivities.

Perot wins nomination in low poll

By Jurek Martin
in Washington

Mr Ross Perot has predictably won the presidential nomination of the political party he created, but by a slimmer margin than expected and on a voter turnout so low as to renew doubts about how well he would do against President Bill Clinton and Mr Bob Dole in November.

The Texas billionaire and 1992 independent presidential candidate scored 65.2 per cent of the Reform Party's ballot against the 34.8 per cent of his only challenger, Mr Dick Lamm, former Democratic governor of Colorado.

Only about 50,000 of the party's registered membership of 1.1m took part in the ballot. Mr Lamm had accused Mr Perot of denying him access to party voting lists, slowing distribution of ballot papers and otherwise limiting publicity to which, he said, he was entitled as an official candidate.

Ms Loreen Oliver, head of New York's small Independence Party and a backer of Mr Lamm, claimed that 30 per cent of her party's members did not receive ballots. She threatened to try to keep Mr Perot's name off the November ballot in the state.

Mr Perot was due to accept the nomination last night in Valley Forge, Pennsylvania, where the Reform Party was to continue its convention. The first day, in Long Beach, California, last Sunday, had seen Mr Perot declare, apparently unequivocally, "I want to be your president." He also scheduled an evening performance on Larry King Live, the CNN programme for which he has in the past reserved his most important pronouncements.

Recent public opinion polls have shown his support dropping to single digits, as low as 3 per cent in a Newsweek survey published yesterday, well below the 19 per cent four years ago.

Although notoriously unpredictable, it will be difficult now for Mr Perot to avoid running and save face. But, if he does go ahead, he faces two immediate and critical decisions.

The first is whether to accept federal matching funds for his campaign. His 1992 performance entitles him to accept $29.2m, but would limit his personal contribution to $50,000. Four years ago, he spent over $60m from his private fortune and the Reform Party's independent coffers and fund-raising abilities are meagre without his wealth.

The second concerns selection of a running mate, presumably not now Mr Lamm, given the bad blood between the two. His choice in 1992, retired admiral James Stockdale, was a delegate for Mr Dole at last week's Republican convention in San Diego and thus unavailable.

Among those reportedly under consideration are Democratic Congresswoman Marcy Kaptur from Ohio, like Mr Perot a virulent critic of the North American Free Trade Area (Nafta), and Mr David Boren, former Democratic senator from Oklahoma, now president of the state's main university.

Meanwhile, Mr Dole was buoyed by the post-convention Newsweek poll, which had him only two points behind Mr Clinton at 44-42 per cent. But no other national survey has put the deficit anything like that small and the candidate's campaign managers concede it is too early to measure how much of a "bounce" he received from last week's gathering.

Mr Dole, travelling in tandem with his running mate, Mr Jack Kemp, to states considered vital in November, continued to promote his new tax-cut package. He told a rally in Springfield, Illinois, that the country "deserves better than years of slow growth."

Mr Clinton, who was to attend a gala 50th birthday party in New York last night, used his regular weekly radio broadcast for a frontal assault on his opponent's programme. "The American people, he said, "must choose between a tax cut that responsibly balances the budget and one that puts our economy at risk, between one that is targeted to help working families and one that is indiscriminate."

INTERNATIONAL NEWS DIGEST

Egyptians 'not hiding in Sudan'

Sudan, facing a UN-imposed embargo on its airlines, could not hand over three Egyptians suspected of trying to kill Egypt's President Hosni Mubarak in Ethiopia last year because they were not in the country, it said yesterday. Last week, the UN Security Council agreed the air embargo – which will come into effect in three months – after Sudan failed to extradite the three men to Addis Ababa for trial.

"We have nothing to add during the ultimatum, simply because the three suspects are not in Sudan," Sudan's foreign minister, Mr Ali Osman Mohammad Taha, said.

Sudan has been under limited diplomatic and travel sanctions since May 10. The air embargo would apply to aircraft which are registered in Sudan or owned, leased or operated by Sudan Airways or the Sudanese government, officials said.

Reuter, Khartoum

Presidential aircraft crashes

A presidential support plane with nine people aboard yesterday crashed into a mountain in Wyoming after taking off on a flight to President Bill Clinton's birthday party. All those aboard, eight air crew and one active duty Secret Service agent, were reported killed, a US Forest Service official said.

A search and rescue team was sent on horseback into the Grossvent Wilderness, where the aircraft hit forest about 9,000 ft up Sleeping Indian Mountain, in the Bridger-Teton National Forest.

The crash occurred just two to three minutes after take-off. The aircraft, a C-130 built in 1974 and used to transport presidential vehicles, was flying towards New York City.

Reuter, Jackson, Wyoming

Tajik guerrillas 'seize town'

Islamist rebels in Tajikistan have taken control of the strategic town of Tavildara, they said yesterday. The fierce fighting over the past few days has jeopardised a UN-arranged ceasefire.

Opposition leader Akbar Torajonzoda said his forces had retaken Tavildara from government forces. The town straddles a key road between government and rebel-held territory lying to the east of Dushanbe. The government in Dushanbe confirmed that fighting was raging, but said it commanded the strategic heights around Tavildara. But the government failed to specify who controlled the town.

The fighting appears to have left in tatters a UN-sponsored truce reached between the Moscow-backed government and Islamist rebels, who have been fighting the regime for the past four years. The conflict is bound to deliver a blow to Tajik President Imomali Rakhmonov's shaky government.

Reuter, Almaty

Libyan rebels 'kill 26'

Libyan rebels have ambushed a military convoy near Benghazi and killed up to 26 people as resistance to Col Muammer Gadaffi's 27-year rule continues to grow, Libyan opposition sources said yesterday. An opposition official said the attack was one of many in north-east Libya, rapidly becoming a militant hotbed.

Some coastal areas are reported to be under security blockade.

Reuter, Cairo

هكذا من الاصل

Union leaders say labour unrest will rise

By Robert Taylor, Employment Editor

Britain can expect an upsurge of labour unrest over the winter, but it will fall short of all-out strikes, say the majority of trade union leaders questioned in a survey published today.

The industrial relations survey, by the employment law firm Dibb Lupton Broomhead, says 68 per cent of trade union leaders foresee an increase in industrial action over the next year, but only 15 per cent expect their members to strike.

While 16.5 per cent predict action other than a strike, such as overtime bans and work-to-rules, 22.5 per cent believe there will be an increase in the use of dispute ballots or the threat of calling them.

The survey reveals that 61 per cent of public-sector employers and 32 per cent of private-sector employers whose workers belong to trade unions also expect labour unrest over the next year – the largest proportion recorded since the survey began in 1992.

Over the past 12 months, 39 per cent of unionised companies experienced some form of industrial unrest, but only 5.5 per cent actually suffered a strike, down by a third on the 1995 figures.

The survey is based on responses from 130 of the UK's largest private-sector companies, 50 employers in the public sector and 50 trade unions.

Employers appear to be willing to take tough action to combat any conflict. The survey says 89.5 per cent of them are ready to consider legal proceedings if unlawful industrial action is taken against them, 43.5 per cent saying they would consider dismissing all their employees who went on strike and 31.5 per cent saying they would consider dismissing only the "troublemakers".

On the other hand, the survey also says that 22 per cent of non-unionised companies do not believe recognising a trade union for bargaining purposes would damage employment relations structures, compared with 8 per cent last year. The survey says this would "seem to indicate some companies which were once strongly anti-union have reassessed their view and begun to see union recognition as less of a threat".

Only 9 per cent of employers believe a reduction in the two-year qualifying period before an employee can pursue an unfair dismissal claim would cause them "great problems"; 55 per cent say it would create "minor problems"; and 36 per cent anticipate such a change would have little or no effect on their organisation.

Just 5 per cent of unionised employers in the survey believe that giving the same employment rights to part-time as full-time workers would lead to a fall in part-time jobs.

Dibb Lupton Broomhead, 125 London Wall, London EC2Y 5AE. £45.

UK NEWS DIGEST

IRA terrorist returned to jail

Mr Jimmy Smyth, a convicted terrorist and jail escapee, was last night back in prison in Northern Ireland after being flown from US following a long extradition battle.

One of 38 inmates involved in the IRA mass escape from the Maze in 1983, Mr Smyth was flown from the US to London's Heathrow airport where he was handed over to Northern Ireland police officers. He was then flown to Belfast International airport and driven under tight security to Maghaberry jail. His return marks the end of a long battle against extradition from the US where he was arrested in June 1992 on passport violations.

Mr Smyth, from Belfast, was jailed in 1978 on a string of terrorist offences and was sentenced to 20 years for the attempted murder of an off-duty prison officer. He was one of several of the Maze escapees smuggled to the US and later arrested. A Federal court barred his extradition in 1994 but the decision was reversed on appeal. Mr Smyth then appealed to the US Supreme Court, but in June the court denied a review of his case. *PA News*

■ MANUFACTURING

Pay increases falling, says CBI

Basic pay increases in UK manufacturing are falling while productivity has improved, says the Confederation of British Industry in a survey today. The survey says that the provisional figure for the three months ending in July averaged 3.2 per cent compared with 3.5 per cent for the previous three months.

The figures also suggest that private service companies are awarding slightly higher settlements at 3.6 per cent, compared with 3.5 per cent for the three months to April. The level of service pay increases has remained virtually flat since the start of the year. *Robert Taylor*

■ CORPORATE ANALYSIS

Profitability 'stuck at 11.5%'

Profitability among Britain's biggest companies remains well below its pre-recession level, and shows little sign of recovering even in sectors exposed to buoyant consumer spending, according to Europe's largest credit reference agency.

Measured as the return on capital employed, corporate profitability has been stuck at around 11.5 per cent for more than a year, according to the latest corporate health check by CCN Group. This is less than two-thirds of its pre-recession level. Mr David Coates, director of the group, noted that consumer-led growth at best sucked in imports and often led to rapid corrections in interest rates. *Robert Chote*

■ COMMERCIAL VEHICLES

Peugeot plans 100 sales centres

Peugeot is setting up 100 dedicated light commercial vehicle centres throughout the UK with the declared intention of doubling its sales of such vehicles to over 10,000 units next year.

The project, which if successful would raise the company into the top five commercial vehicle brands in the UK, is being driven by the French vehicle maker's launch of a new range of Peugeot 106 and 306 car-based light vans to complement its larger Boxer panel vans. *John Griffiths*

Doctor's surgery to open at station

By Chris Brown-Humes

Railtrack will today open the first doctor's surgery at a mainline rail station, marking the first stage of ambitious plans to expand retail and leisure services at many of the country's big rail terminals.

The company, owner of Britain's rail network infrastructure, hopes facilities such as health clubs, bowling alleys, multi-screen cinemas, virtual reality centres, libraries, business centres and crèches – as well as doctors' and dentists' surgeries – will eventually be offered to customers. The aim is to attract passengers and people living and working near stations, even if they do not travel by train.

The doctor's surgery at Victoria station in London will be run by Medicentre, part of Sinclair Montrose Healthcare, the personnel group recently floated on the alternative investment market. The walk-in service will operate six days a week, with normal GP functions, screenings and vaccinations. The cost would be £32 per consultation.

Ms Carol Davies, Medicare's operations manager, said the aim was to expand the service first to other mainline London stations – including Waterloo and Liverpool Street – but eventually to airports and shopping malls. The scheme is based on a US concept. Railtrack operates 14 mainline stations – including eight in London – and leases 2,500 stations around the country. It believes many of them are significantly under-exploited and points out that up to 200,000 passengers a day pass through its biggest stations.

The company said yesterday that the monolithic structure of British Rail, owner of the rail network before privatisation this year, prevented the potential of the stations being realised.

A model for the future is Liverpool Street station in London. Following a big development programme in the early 1990s, it boasts a range of niche shops, Japanese and Italian restaurants, a healthclub, pub and travel centre. It is busier at lunchtimes than at rush hour, says Railtrack, but there is potential to develop it further.

"We see this as a step change in the way things are done at the railways," Railtrack said.

"Instead of being places people pass through, we want stations to be places people go to."

Forsyth shows plausible alternative

Scotland's 'brilliant propagandist' on the attack

Mr Michael Forsyth, the 41-year-old Conservative who has been secretary of state for Scotland for just over a year, has turned into a much more formidable figure than his political opponents anticipated.

The power of the governing Conservative party in Scotland has been dwindling for many years, and the opposition Labour party has gained wide support for its policy of devolution which would involve creating a separate assembly for Scotland.

Few people believe that Mr Tony Blair, the Labour party leader, would have announced in June that a Labour government would stage a referendum on its plans for a Scottish parliament if it had not been for Mr Forsyth's biting attacks on devolution and on the "tartan tax" (his own phrase) that a Scottish assembly would be able to levy.

"Forsyth is a brilliant propagandist," says an observer of the Scottish scene. "Even though I don't share his views I admire his determination and his refusal to compromise."

Mr Forsyth is the son of a garage owner from Montrose in eastern Scotland who became a radical right-winger at St Andrew's University. In a year of frantic energy as secretary of state he has produced countless official initiatives while relentlessly attacking Labour, putting Mr George Robertson, the shadow Scottish secretary, on the defensive.

Mr Forsyth returned to Scotland last year with a reputation for insensitivity and abrasiveness, acquired while education and health minister at the Scottish Office under Mrs Margaret Thatcher.

Few people in Scotland noticed how since then he had rebuilt his reputation at the Department of Employment and the Home Office in London, and established himself as loyal to Mr John Major, albeit on the Eurosceptic right of the party. So many Scots were taken aback by the new Mr Forsyth who was friendly, amusing and charming.

After an initial period assiduously receiving representatives of organisations such as the Scottish trades unions whose views differed strongly from his own, his political agenda emerged. He has tried to appeal to Scotland's depleted Conservative voters by calling for more rigorous standards in education, tougher sentences for criminals and less waste by Labour controlled councils.

Mr Forsyth's principal target has been Labour's plan for a tax-raising Scottish parliament. He says that it would cost Scotland its favourable position in the United Kingdom and its disproportionately large share of UK public expenditure.

These are not new themes for the Scottish Conservatives. But Mr Forsyth presents them more aggressively and has been able to display a more plausible alternative to devolution than his predecessors could. Under him the Scottish grand committee of all 72 Westminster MPs who represent Scottish districts has been given more power, meets in towns all over Scotland and has been addressed by the prime minister. The sessions have mostly been rowdy, but Mr Forsyth has gained an extra platform.

It could be argued that his attacks on the tartan tax have been too successful, pushing Mr Blair into the referendum policy which could defuse the issue before the general election.

But so far the referendum policy has unsettled Labour in Scotland, reminding the party that it is led from London and raising doubts about how popular with ordinary people the idea of a tax-raising parliament really is. Mr Forsyth can only profit from this disarray.

Yet it took a long time before Mr Forsyth's permanent campaigning began to improve the Tories' standing in the Scottish opinion polls. For months it stayed close to the Tories' all-time low of 11 per cent, compared with the 26 per cent they won in the 1992 election. Recently, support reached 15 per cent.

Mr Forsyth must hope the Conservatives have a residual level of support that is reluctant to declare itself but equates to the 20 per cent of the electorate against home rule.

A Conservative revival is vital if Mr Forsyth is to hold his seat at Stirling where his majority is only 903.

If Mr Forsyth manages to hold his seat and help the Scottish Tories preserve most of the 11 seats they won in 1992, his career could advance further.

James Buxton

Tour industry worried over delays to inquiry

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Concern is growing in the package holiday industry at the time being taken by the Office of Fair Trading to issue the findings of a year-long investigation.

The OFT cleared the travel companies of anti-competitive behaviour two years ago but began reviewing its findings last summer.

The industry had initially expected the results towards the end of last year and has been expecting them imminently for the past six months. However, after several rounds of questioning, the OFT took the unusual step of going back to some of the companies last month.

"We are very concerned at the length of time they are taking," said one large package holiday company last week. "It's difficult to plan your business against this background."

"They've been in and out wasting huge amounts of executive time," said another. "It's appalling."

The OFT, under Mr John Bridgeman, its new director-general, is investigating competition concerns raised by vertical integration – the ownership of travel agencies by tour operators.

Thomson owns Lunn Poly, the UK's largest travel agent, and Airtours owns Going Places, the second largest. Thomas Cook, the third-largest travel agency, owns Sunworld, the fifth-largest tour operator and has a stake in First Choice, the third largest.

Independent travel companies say that they are being squeezed out of the market, principally by the big three operators – Thomson, Airtours and First Choice, which control 65 per cent of the industry.

Ms Sue Ockwell, chief executive of the Association of Independent Tour Operators, said: "I'm sure the OFT has a lot on its plate but it must be feasible to have a time scale."

Issues of concern include the payment of discriminatory rates of commission to different travel agents, the refusal by some agents to carry the brochures of certain tour operators, and agents promoting their parent companies' holidays.

The hold-up is believed to be due to legal procedures involved in reaching a formula to secure the large companies' agreement to implement measures addressing these concerns. If this can be done, the matter will almost certainly not be referred to the Monopolies and Mergers Commission.

The OFT is likely, however, to end the travel agents' policy of tying discounts to the compulsory purchase of in-house insurance and to insist that they take further measures to ensure that customers are aware of the ownership links with tour operators.

The OFT said the investigation was at a "sensitive" stage and could not give a date for the final decision.

Air pollution strategy likely to arouse environmentalists' anger

By Leyla Boulton, Environment Correspondent

The government this week publishes a national air quality strategy with the ambitious goal of eradicating all danger to human health from air pollution by 2005.

However it is likely to attract fierce criticism from environmental groups for not doing enough to curb traffic in cities which is the most important source of urban air pollution.

In contrast, air pollution from industrial sources is already on its way to significant reductions as a result of tighter controls already imposed on it.

The strategy says that every year air pollution causes several thousand deaths and as many as 20,000 hospital admissions. The threats to health include particulate dust emitted by diesel vehicles, and summertime smog, caused by a reaction of nitrous oxides with sunshine.

The strategy, which sets targets for curbing eight main pollutants over the next 10 years, relies partly on the European Union adopting new car emission and fuel quality standards proposed by the European Commission earlier this summer.

Targets for four of the most serious pollutants – nitrogen dioxide, ozone, particles, and sulphur dioxide – will be reviewed in 1999 in the light of progress made in adopting European legislation. UK officials say that European-wide standards have the added benefit of avoiding harsher domestic targets that would be necessary to compensate for pollution that crosses national boundaries.

But the strategy is somewhat less ambitious when it comes to measures for curbing traffic – which the government says are necessary to complement the effect of air pollution standards.

The strategy, which basically shifts this component of the problem on to local authorities, promises, for instance, to give them powers to require drivers to switch off their engines when stationary. But it stops short of committing itself to allowing local authorities the power to levy charges to discourage motorists from using congested town centres. It says only that the government will consider allowing such measures, seen as politically sensitive, at a future date.

The plan is also likely to anger environmentalist groups for adhering to cost-benefit principles, which dictate that the costs of environmental improvements do not exceed the benefits from them.

Friends of the Earth, the environmental pressure group, has argued that breathing clean air should be a "right and not a privilege to be traded off against the costs of pollution abatement".

● An expected doubling of traffic on country roads over the next 30 years will hurt the public's enjoyment of the countryside unless bold measures are taken to tame traffic, the Council for the Protection of Rural England warns today.

The countryside charity urged the government to introduce speed limits of 40mph on some rural roads and 20mph in villages. It also called for funding to improve public transport in rural areas, and demanded measures to reverse a trend of the past 10 years whereby motoring had become cheaper while the cost of public transport had risen.

The CPRE also published a map highlighting areas likely to be hardest hit.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Citicorp $0.45
Daido Steel 4.8% Nts. 1997 Y480,000
DBS Management 8.5p
Eksportfinans FRN. 2003 $25.14
Fuller, Smith & Turner 6.3p
Halifax Bldg. Soc. FRN. 2003 £34.81
Halma 1.556
Hambros 5p
Do. Non. Vtg. 2.1p
L.A.B. Invs. 7⅛% Sec. Bds. 2019 3.5625
Marks & Spencer $0.9528
MBL Finance (Curacao) 6¾% Bds. 2002 $675,000
Mountview Estates 15p
NFC. 2.5p
Tom Cobleigh 1.6p
Turnpyke Grp. 0.4p
Vodafone Grp. 2.04p
Wyndeham Press Grp. 2.7p

■ **TOMORROW**
AVCO Tst.Gtd. FRN. 1998 £157.10
BAA A.D.R. $0.1375
Bank of Ireland Series A £1. 49.4527p
Series A IR£1. IR47.0046
Barclays Overseas Capital Corp. 6.375% Gtd. Nts. 1997 C$63.75
Caterpillar $0.40
CLM Insurance 1.5p
Furukawa 6% Nts. 1996 Y600,000
National Power 117.6p
Rowe Evans Invs. 4p
Unigate A.D.R. $0.2424
Wells Fargo & Co. $1.30

■ **WEDNESDAY AUGUST 21**
British Funds 10½% Exchequer 1997 £5.25
Foreign & Colonial High Income Tst. 0.6p
Fyffes IR0.5196p
Kleinwort Charter Invs. Tst. 1.75p
Merrill Lynch $0.30

■ **THURSDAY AUGUST 22**
Abbey NationalTreasury Services 6.375% Nts. 1996 $63.75
Alliders 2.4p
Bear Stearns FRN. 2004 $2,590.97
British Steel A.D.R. $1.3449
BT Finance 6½% Gtd. Nts. 1997 $65
Chase Manhattan Corp. Sub. FRN 2000 $142.15
Chloride Grp. 0.317p
6% Cm. Pf. 2.1p
Lloyds Bank Series B. Sub. VRN. 1998 £157.73
Midland Bank Sub. FRN. 2001 $78.24
Mitsubishi Tst. Fin. FRN. 2001 $481.2[illegible]
National Westminster Bank Undated VRN £172.81
NFC 7¾% Conv. Bds. 2007 £38.75
Trustco Fin. 11½% Sev. Deb. 2016 £5.75
Wells Fargo Sub. FRN. 1998 $143.75

■ **FRIDAY AUGUST 23**
Abtrust Preferred Income Invs. Tst. 4.25p
Allied Colloids Grp. 2.28p
Bandt 0.8p
BPB Inds. 6.35p
Bristol & West Bldg. Soc. FRN. 1999 £1,564.75
Burton Grp. 8% Unsec. Ln. 1996/2001 £4
Canadian Imperial Bank of Commerce Sub. FRN. 2085 $271.74
Cardiff Automobile Receivables Securitisation FRN. 1998 £162.13
Do. Mezz. FRN. 1998 £185.38
Carlton Comms. 4.37p
Cassidy Brothers 2.25p
Clayhithe 2.57p
Eaton Corp. $0.40
Gartmore Scotland Invs. Tst. 2.6p
HongKong and Shanghai Banking Corp. Prim. Cap.. Undated FRN. $140.61
Inspirations 0.78p
Jersey Electricity Co. 16p
Jones & Shipman 1p
Lloyds Eurofinance FRN. 1996 £77.70
London Intl. Grp. 1.5p
London Merchant Securities 3.8p
Merchants Tst. 3.25p
Morgan Stanley Equity 11.740625p
Nationwide Bldg. Soc. 4.25% 2024 £3.0041
New London Capital 2p
Royal Bank of Canada (The) C$0.34
TGI 2.2p
WAH Kwong Shipping Hldgs. HK$0.429
Westpac Banking Corp. Sub. FRN. 1997 $278.06

■ **SATURDAY AUGUST 24**
Eskmuir Props. Mort. Deb. 2020 £3.9375

■ **SUNDAY AUGUST 25**
British Funds 8¾% Treasury 2017 £4.375
European Invs. Bank 8¾% Bds. 2017 8.75p
Ireland (Republic of) Var. Rate Treasury IR£1.29

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Drew Scientific, Telemeter Building, Park Road, Barrow in Furness, Cumbria, 11.30
Excalibur, 3, Colmore Circus, Birmingham, 10.00
Tinsley Robor, 50, Victoria Embankment, E.C., 10.30

BOARD MEETINGS:
Finals:
Syndicate Capital Tst

Interims:
Alliance Tst
Argos
Hibernian
Jupiter Int Green Inv Tst
Page (Michael)
Prospect Japan Fund
Taylor Nelson AGB
Wace

■ **TOMORROW**
COMPANY MEETINGS:
China Inv Tst, Knightsbridge House, 197, Knightsbridge, S.W., 10.30
Moorgate Inv Tst, 49, Hay's Mews, W., 11.00
Northumbrian Fine Foods, Dukesway, Team Valley, Gateshead, Tyne & Wear, 10.30
Orbis, Great Eastern Hotel, Liverpool Street, E.C., 10.00
Symonds, Great Eastern Hotel, Liverpool Street, E.C., 11.00

BOARD MEETINGS:
Finals:
Armitage Brothers
British Sky Broadcasting

Interims:
Cussins Property
Glenchewton
Graseby
Kerry
Orange
Perry

■ **WEDNESDAY AUGUST 21**
COMPANY MEETINGS:
Avesco, Venture House, Davis Road, Chessington, Surrey, 11.00
Ball (AH), 50, Stratton Street, W., 11.30
Hanover Int, 100, Liverpool Street, E.C., 10.30
Jesmin, Sellers Wood Drive, Bulwell, Nottingham, 12.00
Novo, 6, Broadgate, E.C., 11.00
Proteus Int, Chartered Accountants' Hall, Moorgate Place, E.C., 12.00

BOARD MEETINGS:
Interims:
Dunedin Income Growth
EW Fact
Marley
Mersey Docks & Harbour
Richardsons Westgarth
TR High Income Tst

■ **THURSDAY AUGUST 22**
COMPANY MEETINGS:
FKI, Forte Posthouse Hotel, Clifton Village, Brighouse, West Yorkshire, 12.00
Gates (UK), Heathhall, Edinburgh Road, Dumfries, 12.00
Jones & Shipman, Forte Posthouse Hotel, Braunstone Lane East, Leicester, 12.00
Marling Ind, Chartered Accountants' Hall, Moorgate Place, E.C., 11.30
TGI, Moor House, 119, London Wall, E.C., 11.00

BOARD MEETINGS:
Finals:
News Int

Interims:
Dawsongroup
Evans Halshaw
Goldsmith
Rentokil
Weir
Whatman

■ **FRIDAY AUGUST 23**
COMPANY MEETINGS:
Celsis Int, New Broad Street House, 35, New Broad Street, E.C., 10.00
Neill Clerk, 6, Park Circus Place, Glasgow, 12.00

BOARD MEETINGS:
Finals:
Tex Holdings
Lawrence

Interims:
Mallett

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

صكنا من الاجل

THIS WEEK

Era of the stay-at-home Roman

DATELINE

Rome:
The volume of the Italian capital's garbage during August indicates an interesting social change, writes
Robert Graham

The ancient Romans used to consult the auguries by examining the entrails of birds. Today, trends can be discerned by looking at Romans' rubbish.

It took just a quick check of the rubbish collected in Rome early this month to alert the authorities to something new. More and more people are staying at home during the traditional August holiday period.

During the first four days of the month, 400 more tons of rubbish were collected than in the same period last year, an increase of almost 5 per cent. The trend has apparently continued, and supports anecdotal evidence of more people staying at home during August.

The change probably started at the end of the 1980s. But the big difference this year is that there are services available for those who remain (or arrive, in the case of tourists). More shops, restaurants, bars and cinemas are staying open for most if not all the month. Not so long ago, you had to cruise around in mid-August to locate a news-stand that was not closed, an open bar or tobacconist, let alone a pharmacy, taxi or public lavatory.

As for Ferragosto, the annual mid-summer holiday on August 15, it was a complete shutdown. Rome turned into a ghost city for several days. Even on Ferragosto, more than enough facilities were operating this year to avoid the feeling of an alien environment. Rome excelled itself by recognising it had a responsibility to satisfy the thousands of tourists who were spending good money to see its magnificent monuments and museums. On Ferragosto, none of the main sites was shut, thanks in part to 160 volunteer *carabinieri* being drafted in to help.

Ask Romans why they stay at home when city life is hot and humid and the main reason they give is economic. "I can't afford to go away, so I keep the shop open in the hope of doing a bit of business," says the owner of my local food shop, who used to close in August so as to spend 10 days at the sea. "Come to think of it, I can't afford to close because I need the business."

A report released last week by the traders' association, Fipe-Confcommercio, showed that at least 10m Italians stay at home throughout the year for economic reasons. Of these, the bulk live in the *mezzogiorno*, where family incomes are often little more than half those in the north.

The report also showed that whereas managers and professionals took for granted a holiday away from home, only one in four workers believed they would get a proper vacation. Incomes have fallen in real terms since 1992: average family expenditure on holidays during this period has slipped from L4.8m (£2,020) to L4.7m. (The average tourist is reckoned to spend L1.5m, nearly two-thirds of which goes on hotels, restaurants, bars and fast food).

Many families, not just of modest means, are feeling the need to economise even though the Italian wages system still offers an extra payment in July/August intended to help towards the "summer holiday". Small shopkeepers, who have survived longer in Italian cities than in other industrialised countries, do not have this cushion, and are doubly squeezed. Their traditional clients are spending less and deserting to supermarkets and hard-discount centres.

Patterns of Italian holidaying are also changing, catching up with northern Europe. The long break is giving way to more short holidays. Almost 55 per cent of "summer holidays" are still taken during August, but there is more phasing to accommodate continuous factory production or business operations. Even the government bureaucracy is starting to realise it should be properly manned year-round.

Meanwhile, cost, influenced by a weak lira, is hitting foreign travel. The 1980s boom in foreign trips has ended. Now, Italians spend four times as much on domestic holidays as on trips abroad. Anyway, Italians are well aware that for food, culture, comfort and climate, their own country is hard to beat. Most vacationers are remarkably loyal to the places they know and like. Often these places are not very far from where they live and work, and where second homes have been established.

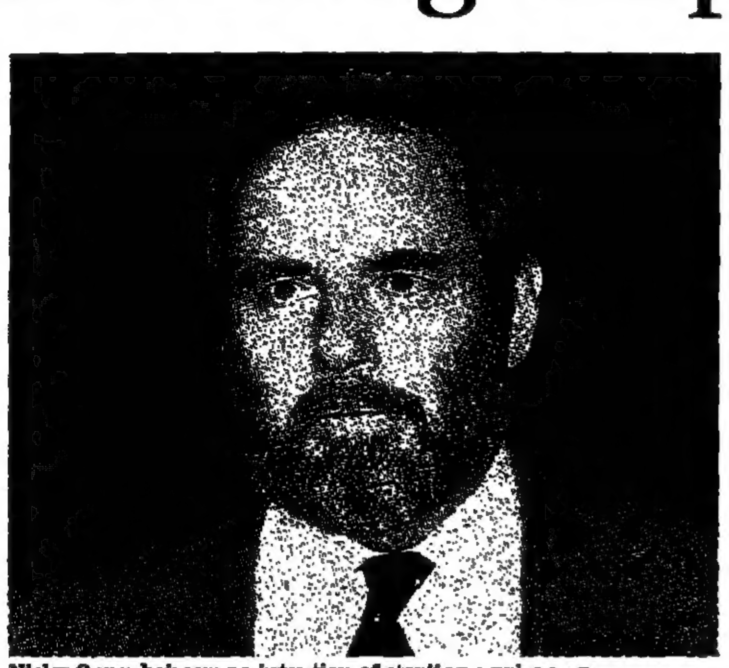
The movement of Italians within their own country is almost tribal. Those in the north, from immigrant families, invariably return to their roots, their *paese*, in Calabria, Puglia and Sicily. The well-to-do Torinese still prefer the Ligurian riviera. The Milanese are more adventurous, with the wealthy (the vulgar rich, according to the Sardinians) visiting Sardinia's Costa Smeralda. Venetians stay put or venture to the Istrian coast. The Bolognese decamp to the Adriatic from Rimini to Ancona, and Florentines get near to the Viareggio coast.

The Romans spread themselves over 200km of sandy Mediterranean beaches that stretch from Monte Argentario in the north to Circeo in the south, whence the Neapolitans take over (and the coast gets more rugged). Neapolitans cram themselves on to Ischia and, if they can afford it, Capri and the Amalfi coast. Thereafter, further south, summer holidays become ever more local.

However, those who stay at home need not feel they are missing out. They can become voyeuristic tourists. TV channels now fill the summer airwaves with chat shows, beauty contests and quizzes at seaside resorts overflowing with bronzed, semi-naked flesh.

The Monday Profile: Nicky Oppenheimer, CSO

Quiet heir apparent to a mining empire


Nicky Oppenheimer: no intention of starting a price war

Someone who first met Nicky Oppenheimer when they joined the same prep school – Ludgrove, in the UK – at the age of eight says that even then Oppenheimer knew that one day he would be chairman of South Africa's sprawling Anglo American-De Beers group. Even then, the Oppenheimers were the Rockefellers, Morgans and Gettys of South Africa rolled into one. Yet given Oppenheimer's personality, it is likely he would have preferred a different – quieter – career.

There was no sign last week that Oppenheimer was relishing his role as chairman of De Beers' Central Selling Organisation, the London-based operation through which it organises the world's most durable and successful producers' cartel: for rough (uncut) diamonds.

The CSO faces problems on several fronts. It still hasn't managed to hammer out a new contract with Russia even though an outline deal was agreed last February. Strains within the cartel resulted in the Argyle mine in Western Australia – in volume terms the biggest rough diamond producer – pulling out in June. That led to a crisis of confidence in the Indian diamond cutting industry, which uses most of the very small, very cheap diamonds of the type mainly produced by Argyle.

All this is rather overshadowing the good news – that the CSO's rough diamond sales in the first half of 1996 were at record levels and demand for diamond jewellery in most of the important markets remains strong. That helped De Beers announce an 18 per cent increase in attributable earnings, to $482m (£308m) and it was confident enough to lift its interim dividend by 5.5 per cent to 27 cents.

Oppenheimer obviously feels aggrieved by Argyle's departure from the cartel. "We still believe it would have been extremely sensible for them to have renewed their contract," he says. John Robertson, chief executive of Ashton Mining, one of two partners in Argyle, sees it differently. He says membership of the cartel had cost Ashton loss of both revenue and profit.

Oppenheimer insisted at De Beers' briefing last week that the CSO had no intention of starting a price war at the bottom of the rough diamond market, but neither would it stand by and let Argyle take business away.

Indian cutters were convinced that eventually Argyle would renew its contract and had built up stocks in anticipation. The value of those stocks had fallen by as much as 20 per cent.

The CSO plays down its concerns about Argyle's departure, saying that the mine accounted for only 6 per cent of CSO sales in value terms. But analysts suggest that there are long-term implications. Wobbles in one part of the diamond market usually spread through the rest of the business.

The other partner in Argyle is RTZ-CRA, the world's biggest mining company, which has a big diamond discovery in Canada's Northwest Territories. BHP, Australia's biggest company, is also getting ready to mine diamonds there. If Argyle does well on its own, RTZ-CRA and BHP are unlikely to want to join the cartel.

Oppenheimer says he was "very disappointed" that so far the CSO had failed to negotiate a new contract with the Russians, who had been "distracted by politics and the elections". The CSO was also concerned about a sudden upsurge in exports of uncut gem diamonds from Russia in June and July, by-passing the cartel.

The CSO's managing director, Gary Ralfe, says the Russians now seemed keen to move ahead quickly with contract negotiations and the "leakages" of diamonds appeared to be originating from joint ventures in Russia taking advantage of legal loopholes in the old agreement.

He was sure that, when President Boris Yeltsin used his veto for the first time after his election to stop a bill that would have dismantled state ownership of the Russian diamond industry, it was for internal political reasons and not aimed at De Beers.

Obviously there is plenty to keep Oppenheimer occupied while he waits for the moment when he will return to South Africa as chairman of Anglo, De Beers and Minorco, the company responsible for the group's interests outside Africa.

Some analysts suggest that if Oppenheimer had been more enthusiastic about the prospect, at the age of 51 he would already be in the driving seat. But he let it be known in 1994 that his family hoped the present chairman, Julian Ogilvie Thompson, would remain "well beyond the year 2000".

To those who inquire whether Oppenheimer will be up to the task of heading the Anglo empire, Anglo insiders point out that similar doubts were expressed about his father, Harry, when Sir Ernest, founder of the group in 1917, died in 1967.

Leslie Boyd, an Anglo director, says: "Nicky will do as his father did: take his place and then make sure he has a team of highly effective, professional managers around him to run the business."

Kenneth Gooding

FT GUIDE TO

Target

What is Target?
An acronym for a mouthful: Trans-European Automated Real-time Gross Settlement Express Transfer. In plain English, a future European Union payments system. The idea is that if European monetary union starts in 1999, Target will link high-value national payments systems, like the UK's Chaps or Germany's EIL-ZV.

What is a payments system anyway?
The fundamental "plumbing" of the financial world. It is the way that banks move money for lending, borrowing or other banking business.

Aren't Europe's payment systems already linked?
Yes, some are. But Target will handle the future single currency, the euro. Target will be more advanced than present cross-border systems because it will be a real-time system. That means banks can transfer large sums of euros instantaneously between accounts held at their local central banks. Some national systems, like Chaps, can already do this for domestic payments. But at present cross-border systems only settle at the end of the day.

That sounds technical. Why the recent fuss?
A row has broken out. The European Monetary Institute, the forerunner of the European central bank, is planning the technical design of the system. The UK wants all EU countries to have equal access to Target. But France and Germany disagree. They accept that all EU countries will have some link to Target, but want restricted access for non-Emu members.

Does this matter?
Politically, it is symbolic. Target is one of the first real points of friction in the EU between potential Emu and non-Emu members. But for banks it also has highly practical implications. Even if countries like the UK and Denmark stay outside Emu, their banks will still want to transfer euros. If access to Target is restricted, it might make it more expensive for them to transfer euros than for Emu-based banks.

But if countries refuse to join Emu, surely they can't expect equal treatment?
That depends on whom you ask, and what exactly you think Target is. The UK argues Target is primarily a payments system that allows banks to transfer money safely around the EU. It argues that restrictions would contravene the single market.

What do the French and Germans say?
They think Target is primarily a tool of monetary policy. This is because the Europe central bank will use Target to control the amount of euros in the system, which in turn will determine short-term interest rates. So they argue that access cannot be equal for Emu and non-Emu members.

How could access differ?
This is complicated – and undecided. What the French and Germans fear is that overnight credits might be issued in non-Emu areas that could expand the money supply. To prevent this, they want tight control over credits issued during the trading day. Banks in non-Emu areas might need to provide high levels of collateral to borrow euros. Or Target might open for 11 hours in Emu areas but for less in non-Emu zones.

Aren't they just trying to protect their own banks?
British banks think so. And some French and German banks want to defend their interests. But there is a second important issue. The UK does not ask UK-based banks to hold minimum reserves. The Emu area, however, may do so. French and German officials say this distinction would expose Target to more risks in London than in the Emu area. However, it could also give London a competitive edge, unless other factors, like restrictions to Target, come into play.

How much could non-Emu banks lose?
No one knows. No firm decisions have been taken. And it is unclear whether restrictions would be regional in nature (eg. UK-based banks) or national (eg. UK banks). Restrictions might be so small they had no impact. Even if they were severe, some UK officials think the impact would be minimal because banks could use alternatives to Target, like existing payments systems.

But some UK observers are alarmed. One UK company thinks it might move its treasury operations to continental Europe. Some banking consultants think UK banks might have to purchase banks in the Emu area to solve the problem. Danish banks are saying they might move some operations to Frankfurt.

When is a decision due?
There lies the rub. Some officials hoped for a decision this summer. But a compromise remains elusive. The EMI is unlikely to make firm proposals without a consensus among central bankers, so a decision may be delayed until the central bank is established in 1998.

Where will this leave the UK?
In a weak position. Delay creates uncertainty. And the UK may be excluded from the decision anyway, since only Emu members will participate in the central bank. In the interim, the UK will have to wait and worry. Or consider joining Emu.

Gillian Tett

Robert Chote · Economics Notebook

A weapon which carries risks

Changes in interest rates are not consistent in their economic effects

The attention of the world's financial markets will be focused this week on the Bundesbank council in Frankfurt and the Federal Open Market Committee in Washington. These bodies will decide whether or not to cut interest rates in Germany and/or raise them in the US. But what real economic significance will their decisions have?

One of the many headaches which afflict monetary policymakers is the knowledge that changes in rates are inconsistent in their impact on an economy. That makes them an imperfect weapon with which to pursue targets for inflation or activity.

The main problem is that central banks can only influence *short-term* interest rates directly. They do this by varying the terms on which they provide day to day liquidity to commercial banks. Central banks can only influence *long-term* rates indirectly. The relative importance of long- and short-term rates to businesses and consumers varies between countries.

The so-called "expectations hypothesis" argues that long-term rates are an average of current short-term rates and expected future short-term rates. The simplest view of monetary policy is that a rise in short-term rates will push up expectations of future short-term rates, too, thereby exerting a strong, positive influence on long-term rates.

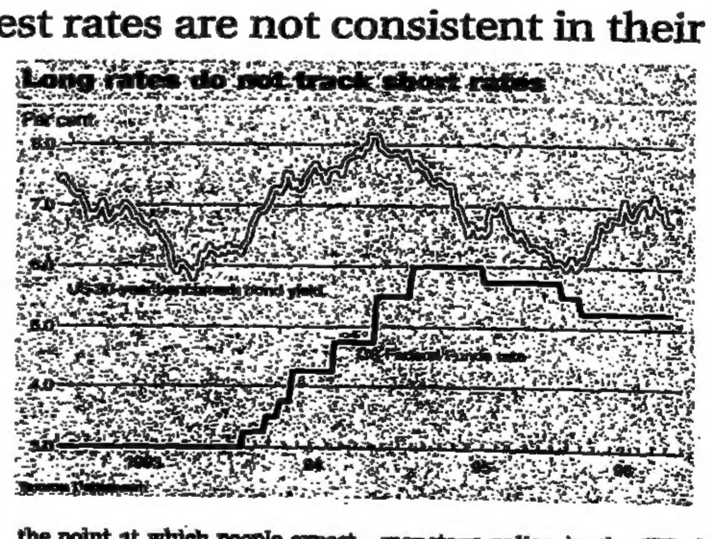
But life is not like that. The relationship between short and long-term rates is weaker and more variable. When the Federal Reserve started raising its short-term fed funds target rate in 1994, the long-term 30-year Treasury bond rate at first rose more quickly, but late in the year and into 1995 the long bond yield dropped sharply while short-term rates were still rising.

Many economists have argued that long-term rates are so volatile that they cannot be determined by expectations of short rates. Stefan Gerlach of the Bank for International Settlements has found that the expectations hypothesis does not fit the experiences of the US, Austria, Belgium, Sweden, Italy or Spain*.

But he nonetheless concludes that although the hypothesis is formally rejected for these countries it still seems "sensible, at least for monetary policy purposes, to interpret movements in long-term interest rates as being largely determined by financial market expectations about the future path of short-term rates".

Vance Roley and Gordon Sellon argued in a recent Federal Reserve Bank of Kansas City *Economic Review* that it was natural for long-term rates to vary more than short-term ones**. They identified four scenarios under which a rise in short-term rates would affect long-term rates in different ways:

- If the rate rise is expected to persist, long-term rates will rise one-for-one with short rates.
- If the rate rise is interpreted as the first move in a progressive tightening of monetary policy, long-term rates will rise by even more than short-term rates.
- If people expect the rate rise to be temporary, long-term rates may not rise much, if at all.
- If the rate rise brings forward the point at which people expect a progressive loosening of policy, long-term rates may fall.



In line with most other studies, Roley and Sellon found that on average a one point change in the fed funds rate produces only about a 0.1 point change in the long-bond yield by the day after the policy move. But markets often anticipate changes in short-term interest rates before they happen. Taking pre-emptive moves in the long-bond yield into account raises the impact to 0.4 points, much higher than other studies.

Roley and Sellon argue that the effectiveness of interest rates as a weapon to influence the economy will therefore vary over the ups and downs of the cycle, depending on whether the direct impact of changes in short-term rates is augmented or offset by movements in long-term rates.

Take the current debate on monetary policy in the UK, for example. Analysts suspect that Kenneth Clarke, the chancellor, would like to cut short-term rates one more time. But the Bank of England has warned that if he does so this will further imperil his inflation target and bring forward the date at which rates have to rise again.

If investors believe the Bank, then the economic impact of another cut in base rates might be muted. Long-term rates would rise, perhaps in turn raising the cost of fixed-rate mortgages. Having said this, the Bank opposed the last rate cut in June on just these grounds, but the markets did not accept its argument and long-term rates fell.

Assessing the likely economic impact of interest rate changes is further complicated by the fact that bond market participants are quite bad at spotting turning points in rates.

As Stuart Parkinson at Deutsche Morgan Grenfell points out: "Short-term interest rates tend to rise or fall further, and remain there for longer, than analysts believe." In the US, for example, many analysts thought short-term rates had troughed at 4 per cent in early 1991, only for fed funds to descend to 3 per cent and remain there for a year.

Parkinson argues that this inability to spot turning points may be explained by the fact that borrowers become more resilient to rises in interest rates as economic upswings mature. That is because banks become more profitable and more willing to lend to risky borrowers, while higher business confidence in turn encourages ever-riskier borrowers to demand credit.

Credit growth is slowing now in the US, with defaults rising. But there are good reasons to believe it will continue to lend the economy momentum: some 5bn credit card offers have been extended in the last two years and credit cards are even being developed which alarmingly allow people to borrow against their retirement savings.

Advocates of higher US rates have so far concentrated on the threat of wage inflation, but credit-driven consumer demand may yet pose the bigger challenge to interest rate setting.

**Monetary Policy and the Behaviour of Interest Rates*, S Gerlach, BIS Paper 34, 1996.

***Monetary Policy Actions and Long-Term Interest Rates*, V Roley & G Sellon. *Federal Reserve Bank of Kansas City Economic Review*, Q4 1995.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday August 19 1996

Incentive plans to expand Gambro

By Hugh Carnegy in Stockholm

Incentive, one of the Swedish Wallenberg empire's key industrial companies, is gearing up for acquisitions in medical technology after largely completing a radical strategic overhaul that has made the sector its main business.

"We are clearly moving into a new phase," said Mr Mikael Lilius, chief executive. "Now we can start to build rather than to restructure."

Speaking after reporting a slip in group pre-tax profits in the first half from SKr2.2bn to SKr2bn ($300m), Mr Lilius said the results were no deterrent to Incentive's ambitions.

The focus in the drive for growth is Gambro, a leading supplier of renal care equipment and services. Incentive completed a full takeover of Gambro this year and has since shed several other operations, leaving Gambro by far its largest business.

Mr Lilius said the recent divestments had given Incentive the financial strength to go on the offensive – and he made clear Gambro would be the vehicle for acquisitions.

Gambro would also seek to expand outside the renal care sector. Mr Lilius cited its cardio-vascular equipment unit.

The re-modelling of Incentive by Mr Lilius reflects a move by the Wallenberg family to shift its balance towards growth industries and away from traditional cyclical stalwarts in engineering and pulp and paper.

Incentive followed its full takeover of Gambro by selling Hasselblad, the camera maker, Garphyttan, an engineering group, and AKA, a trading company. Last month it also sold Skandinavisk Elverk (SEV), a power supply group, for SKr4.2bn.

The SEV sale enabled Incentive to reduce its net debt to SKr9.9bn from SKr15.8bn at the end of June. The group's equity-to-assets ratio meanwhile rose from 51 per cent to 57 per cent. "We have returned to the financial strength we had before. This allows us definitely to focus on growth," Mr Lilius said.

The Hägglunds military vehicles group is also likely to be sold. Apart from Gambro, Incentive also has operations in environment control and materials handling equipment, and holds big stakes in ABB, the Swiss/Swedish engineering group, and Electrolux, the household appliances group.

On Friday, Incentive reported a drop in first-half profits from its core operations – before adding contributions from ABB and Electrolux – from SKr1.36bn to SKr1.13bn. The fall would have been greater but for one-off earnings of SKr670m, against SKr274m.

Gambro sales rose from SKr5.14bn to SKr5.38bn. But its operating profits fell from SKr776m to SKr709m.

Hines in $296m European purchase

By Simon London
Property Correspondent

Hines, the Texas-based company which is one of the world's largest property developers, has acquired seven shopping centres – including continental Europe's largest covered mall – from Macif, the French insurer.

The US company is paying about FFr1.5bn ($296.7m) for a 50 per cent stake in the centres in France, Spain and Italy. It also has an option to take full control.

The deal underlines the growing interest of international property investors in the French and Spanish markets, which many believe are poised for a recovery after several years of falling rents and property values.

Rodamco, the Dutch property group, last month announced an agreed £300m ($468m) offer for CEGEP, a French property company.

Three US investment banks – Goldman Sachs, Lehman Brothers and Morgan Stanley – are currently competing to acquire a FFr11bn property and loans portfolio from Suez, the French financial and industrial holding company.

Several French financial institutions, including UAP, the insurer, have already sold smaller property loans portfolios. More are expected to follow suit as they seek to reduce their exposure to the property market.

The Macif deal is Hines' largest acquisition in Europe since it entered the market in 1991.

"We hope these assets will form the nucleus of a much larger pan-European retail property business," said Mr Randolph Dumas, joint managing director of Hines' European activities.

Other bidders included Heron, the private UK property group controlled by US investors, and Whitehall Fund, a real estate fund managed by Goldman Sachs.

Three of the seven Macif centres are under construction, including the 2m sq ft Grand Littoral centre in Marseilles, which will be the largest of its kind in Europe.

In a separate transaction, Hines recently acquired an 80-acre development site in Barcelona, known as Diagonal Mar, where it plans to build an equally large shopping centre alongside a residential development.

Planning restrictions mean few shopping centres are likely to be built in France or Spain in the next few years. This has given rarity value to developments such as Diagonal Mar and Grand Littoral which already have permission.

The privately owned Hines has assets of about $7bn. Its European interests include developments in Berlin and Frankfurt and a proposed 700,000 sq ft office tower in La Defense, the office district outside Paris.

Ralph Atkins reports on shifts in the make-up of the 300-year-old insurance market

New breed of investor raises pace of Lloyd's evolution

Blink, and you'll miss the transformation of Lloyd's of London.

Once the 300-year-old insurance market was backed only by wealthy individuals with unlimited liability – Names. Now it also consists of a variety of fast-evolving companies including increasingly large insurance groups operating under Lloyd's umbrella, many of them listed.

Last week's uninvited £80m bid by The Benfield & Rea Investment Trust for HCG Lloyd's – both Lloyd's investment vehicles – illustrated the competition among the market's backers for places on the best syndicates. It offered, too, the prospect of a further lift to the hitherto lacklustre performance of listed Lloyd's vehicles.

"It is a much more fluid market. Not a lot of amateur investors but professionals," says Mr Robert Hiscox, chairman of the Hiscox insurance group at Lloyd's. "It is incredibly healthy for the market. We're going from an expensive capital base to a much cheaper system."

The activity partly reflects confidence Lloyd's will this month secure its future – although rebel Names' last-minute legal challenge in Virginia to the market's £3.2bn recovery plan will cause much sweating this week. Last week, Lloyd's saw off a similar action in the UK courts.

But rapid evolution is also being forced by Lloyd's restricted growth opportunities. Managers running syndicates realise international insurance is in a downturn and do not want to increase the market's size substantially. The best estimates suggest that 1997's underwriting capacity, measured by premium income, will be set at less than this year's £9.9bn.

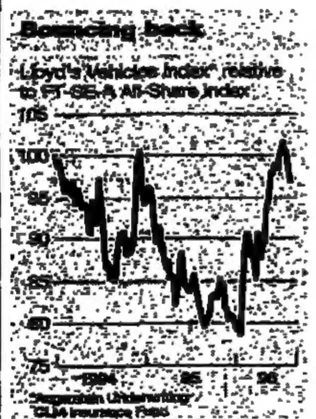
Meanwhile, many Names who survived the worst years are not seeing the out-of-court settlement of their claims against Lloyd's, which forms a central plank of Lloyd's recovery plan, as an excuse to quit. They want to benefit from the market's revival. That has limited the scope for increased corporate investment. And Lloyd's is letting market forces, rather than centralised controls, dictate the shape of its capital base.

Some might see feverish takeover action as a damaging distraction. After all, the insurer Commercial Union, which is larger than Lloyd's, is not preoccupied with constantly re-arranging its capital base.

But Lloyd's capital base has always been a defining characteristic. In the past, Names' unlimited liability was an attraction to policyholders seeking financial security. Today's struggles will determine whether Lloyd's consists of a few consolidated groups which use the market merely for its brand name and trading licences – or remains a true marketplace that encourages entrepreneurship by allowing capital to move easily between syndicates according to performance or fads.

Bouncing back

Lloyd's Vehicles Index* relative to FT-SE-A All-Share Index



Source: FT Extel

Change has come in waves. When corporate capital was admitted, for the 1994 account – at a time when some feared that without it the market could collapse – it mimicked traditional Names. Capital was "spread" across syndicates run by many independent managing agents.

Later the fashion was for "dedicated" vehicles, commiting capital to a few syndicates run by a single agency. Underwriters liked "dedicateds" because capital was more permanent – allowing longer-term business relationships to be built up with policyholders. By the start of 1996, about £1.5bn had been provided by corporate investors.

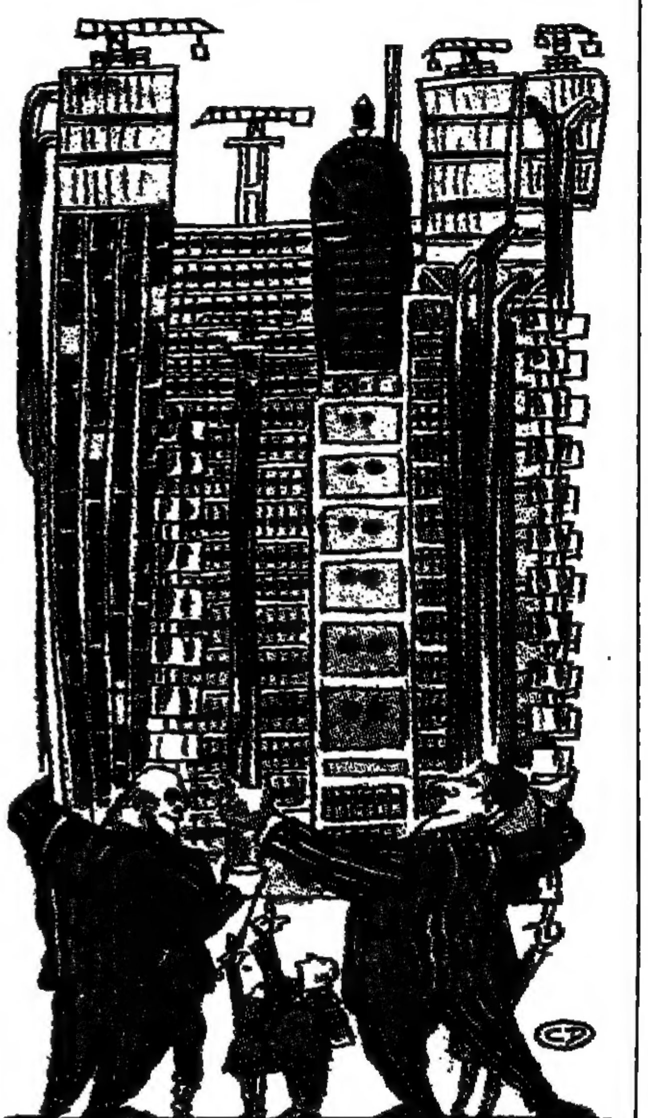
This year's theme has been consolidation – but also, crucially, bringing capital and underwriters under one roof. This is creating vehicles akin to normal insurance companies.

Several managing agents have been bought by US and Bermudian insurance companies. More recently, "spread" vehicles have also bought agencies. Limit, the largest Lloyd's investor, has acquired majority stakes in the Bankside and Janson Green agencies. On Friday, the Murray Lawrence agency merged with Masthead, a listed "spread" vehicle it helped set up and which already supplies capital to Murray Lawrence syndicates.

Meanwhile, managing agents are combining, with the Cox agency announcing on Friday it was teaming up with Christopherson Heath. And syndicates are getting bigger: Murray Lawrence is merging its seven into a jumbo entity.

What happens next? Consolidation and the search for economies of scale remain important. And as integrated vehicles, combining capital and underwriters, become more powerful, the pure "spreads" may become a dying breed.

The emergence of larger units could force profound change in the way Lloyd's operates. There is pressure to end "mutualisation" – the idea that the strongest help pay insurance policy claims when the weakest investors cannot meet obligations.



Lloyd's depends increasingly on corporate capital

"For major companies to have the risk of 'mutualisation' from rogue syndicates is not attractive," says the chief executive of one recent investor.

But ending such an important principle would raise the question of whether a Lloyd's organisation is needed at all – or whether the new breed of insurance companies could do better as ordinary members of the international insurance industry.

INSIDE

Sandvik

Sandvik, one of Europe's top engineering companies, joined the ranks of Swedish export companies hit by weak market demand and a strengthening krona when it reported a 15 per cent drop in profits in the first half of the year. The toolmaking specialist said profits after financial items dipped from SKr2.99bn at the same stage last year to SKr2.56bn ($383m). Page 18

Normandy

The long-planned merger of Normandy, the Australian mining group, with PosGold, its 51 per cent-owned goldmining arm, and Gold Mines of Kalgoorlie has won overwhelming backing from shareholders at a series of meetings in Adelaide. The share swap deals will be put to the South Australian courts this week for approval. Page 18

Lucas Industries

Sizeable disposals are expected from the electrical and electronics business of the UK's Lucas Industries once the merger with Varity Corporation of the US is completed next month. Page 18

Fund Management

Europe should be tempting territory for US mutual fund managers seeking sources of fresh growth. But it has proved to be a slog for pioneers that have tried to rival continental European banks in selling managed funds. Page 18

Global Investor

Although the US Federal Reserve is likely to tighten monetary policy soon, this may not produce problems for emerging markets, which have strong trade and currency links with the US. After disappointing years in 1994 and 1995, they could be due a bull run. Page 20

Media and electronic deals jump

By Paul Taylor

The value of media and content services merger and acquisition deals in Europe and North America more than quadrupled to $20.1bn during the first half of this year, according to Broadview Associates, the specialist M&A bank.

The figure, driven by a number of large deals on both sides of the Atlantic, was almost as much as the total for the whole of 1995. The number of deals rose 31 per cent to 313 compared with 239 a year ago.

Media and content services deals include all those in the media, electronic information and entertainment sectors.

"Digital media, and its delivery over the World Wide Web, is forcing content owners to rethink pricing and delivery strategies and to 'own' their end customers," said Broadview.

"As a result, boardrooms are awash with corporate restructuring as media groups recognise the need for business focus.

"Focus means divesting non-core activities and acquiring or investing in businesses and technologies that are going to be strategic in the future. The nimblest media giants are staking out their territory by making strategic, fill-in acquisitions, the brave are investing in new technologies and others seem to be struggling to find 'true north'."

According to Broadview, there is no shortage of targets because of the new generation of entrepreneurial media companies eager for the funding and market access that a deal with an established group can bring.

"Given the pace and the inevitability of change, those who rest on their laurels will be eclipsed sooner than they imagine," warns Broadview.

Among the deals in the first half, 137 were Internet-related. In particular there was a spate of investments by large media groups in companies such as Yahoo! of the US which operate Web search engines – systems to help people find their way around the World Wide Web.

"Becoming aligned with one or more Web search engines ensures a place at the Internet table," said Broadview.

Looking ahead, Broadview predicts the global battle over the delivery of digital entertainment services by satellite "cannot fail to drive M&A activity over the next few years. The opportunity is just too big, and the risk/reward ratio too acute for even the most bullish to consider going alone."

STATISTICS

COMPANIES IN THIS ISSUE

UK distributor agrees sale of testing unit for $592m

By Geoff Dyer in London

Inchcape of the UK has agreed to sell its Testing Services business for about £380m ($592.8m) to a consortium of investors led by Charterhouse and Bankers Trust, two financial institutions.

The move forms part of a streamlining programme introduced by the new chairman, Sir Colin Marshall, and new chief executive, Mr Philip Cushing.

The proceeds will be used to reduce the distribution and services group's £463m debts and will allow it to invest in its vehicle distribution and Coca-Cola bottling operations.

Inchcape, which last year fell out of the UK's FT-SE 100 index, is also planning a £200m demerger of Bain Hogg, Britain's fourth largest insurance broker.

It refused to comment on the sale. The consortium is understood still to be conducting due diligence and a formal announcement is expected by the time of Inchcape's interim results on September 23 at the latest.

The bulk of the interest in Testing Services is believed to have come from leveraged buy-out funds as the company has few competitors of equivalent size.

The consortium, which beat off competition from six other shortlisted investors, is expected to keep the company's existing management.

Testing Services specialises in checking product quality and certifying performance standards for importers and exporters, as well as the testing and assessment of crude oil. In 1995 the company made operating profits of £27.8m on turnover of £284m.

Inchcape is also preparing listing particulars for a demerger of Bain Hogg before the year-end, with investors being offered free shares in the company. However, a final decision on the move has not been taken.

The weakness of the insurance market has led Inchcape to abandon its chosen options of a trade sale or flotation of Bain Hogg, although the group is understood still to be open to offers for the retail broker.

Sir Colin, the British Airways chairman who joined Inchcape in January, unveiled the new strategy in March. It was prompted by a fall in the shares from more than 600p three years ago to a low this year of 229p. They have since recovered to 289p at Friday's close.

Lucas ready to make disposals

By Ross Tieman

Sizeable disposals are expected from Lucas Industries' electrical and electronics business once the merger with Varity Corporation of the US is completed next month.

A transition team headed by Mr Tony Gilroy, Varity chief operating officer, is drawing up a new strategic plan for the combined company, LucasVarity.

Aided by Mr Jack Fryer, the Lucas director of strategic planning, Mr Gilroy, a former managing director of Land Rover, is focusing his attention on the UK group's vehicle electrics arm.

The Lucas Electrical and Electronic Systems division is on course for sales of £600m ($936m) within two years. But the transition team is insisting that each of its businesses must meet LucasVarity criteria for economic value-added.

Several activities within the division are expected to fail the team's so-called EVA test, making them prime candidates for disposal. One leading analyst suggested the entire division could be sold, raising £450m to £550m.

The business has more than 20 plants in Europe, America, Asia and Africa. It makes a broad range of components, including car instrument switches, wiring harnesses, starter motors and alternators, sensors, and electrical power-assisted steering. But although it is a leader in some sectors of the UK market, some businesses are thought to lack the critical mass to justify heavy investments to keep up with fast-changing automotive technology.

Analysts believe Mr Victor Rice, the Varity chief who will head the combined group, is keen to take LucasVarity out of businesses where it cannot be a leader in global or regional markets. They also expect him to focus upon developing LucasVarity's strong positions in anti-lock braking systems, diesel engine fuel systems, and manufacture of Perkins diesel engines.

Lucas Aerospace, which is riding high upon an upturn in the aerospace cycle, is expected to be run for cash.

But analysts said Mr Rice is determined to change the corporate culture that has held back the pace of reform at Lucas for years. "There are going to be a lot of bodies out the window," said one.

Suggestions that a hostile bidder might break up the merger, agreed after a year-long courtship, have faded. Investors in Varity are expected to give their consent at a special meeting on Friday.

Provided all goes to plan, shares in LucasVarity, which will be based in Britain, will begin trading on September 6.

A quilt that could smother the unwary

Europe has proved a slog for pioneers among US fund managers, reports John Gapper

In theory, there could hardly be a more enticing prospect. As the growth of mutual funds assets slows in the US, the virgin territory of Europe beckons for many medium-sized US mutual fund managers. Where better to try to export some of their acknowledged investment and marketing expertise?

Europe presents a potentially-similar growth story to the US, a decade on. It also has an ageing population that faces the challenge of investing for old-age, while both state and company pension schemes come under huge pressure to reduce entitlements for their citizens and members.

So the logic runs. Yet in practice, Europe has been a slog for pioneers among US fund managers that have tried to rival continental European banks in selling managed funds. Despite efforts in the past 10 years, they account for only 3.7 per cent of the international mutual fund market.

Much of what US managers such as Fidelity and Merrill Lynch have done is in the UK unit trust market, where they have been on relatively familiar territory. UK investors not only speak English, but are accustomed to buying through intermediaries, and have a long tradition of equity investment.

In continental Europe, they have faced the task of breaking the stranglehold of banks that can sell managed funds through their branch network. They have also had to contend with the natural inclination of European investors to seek safety in fixed income investments rather than in equity.

The result has not been hugely encouraging. Assets managed by US firms in the international mutual fund market now total $57bn (£36.5bn), compared with $1,463bn managed by others, according to a study published this month by the US consulting firms Cerulli Associates and Lipper Analytical Services.

Banks currently manage 79 per cent of European mutual fund assets, with post offices and insurance companies managing a further 8 per cent. "Any US firm trying to enter Europe must think long-term, or it may not sustain its effort," says Mr Mr Andrew Guillette of Cerulli Associates.

The toughest struggle is to beat the distribution networks of large banks. In Germany, that means not only private banks like Deutsche and Dresdner, but the local *sparkassen* savings banks. German investors are not only naturally-conservative but have strong loyalties to their regions.

FUND MANAGEMENT

Some US firms have not even tried. Citibank, which is among the biggest retail fund managers in Europe, works through its 300-branch network. "A bank has the advantage that customers tend to trust it," says Mr Laurence Llewellyn, Citibank's director for European investment products.

Others have tried different methods. Merrill Lynch Global Asset Management has made "sub-advisory" agreements with local intermediaries to sell its funds, and also has joint ventures with firms like Prima, the mutual fund arm of Fiat. It also has a direct sales force of 300 across 15 offices.

Mr Alan Albert, a senior managing director of MLGAM, argues that it has gained by concentrating on more affluent investors rather than trying to reach the mass market. "It is harder for us to break into the lower end of the market, and it is more profitable to stay selective anyway," he says.

Yet Fidelity Investments does not have such qualms. It has a telephone sales force based in Surrey, which takes calls in German and French from continental European retail investors responding to advertisements. When they call a free phone number locally, they are connected to the UK.

Mr Richard Wastcoat, Fidelity's director of European retail market, says that it believes it can make significant inroads into the European market. It has already attracted relatively young investors - with an average age of 35 - in Germany, in contrast with an average age of 55 in the UK.

Mr Wastcoat argues that Fidelity will gradually be able to penetrate Germany by offering higher performance and improved service to a younger and more aware generation. This will be intensified by a switch towards equity investment, in which Fidelity should be seen as having an advantage.

Yet Mr Guillette says that, whatever the attractions of the European market, many medium-sized US managers might be better advised to build business in a country they know. He says that some large US firms have under-estimated the heterogeneity of European countries, compared with American states.

"Until you are immersed in it, you do not truly understand that Europe is a quilt of different cultures and economies," he says. Despite its long-term attractions, the quilt could end up smothering those who venture into Europe without a clear idea of how hard the effort could be.

Thistle books in for listing

By Geoff Dyer

Thistle Hotels, the UK's second largest hotels company, is expected this week to announce plans for an October flotation with a market value of £1bn-£1.5bn ($1.56bn-$2.34bn).

The news follows a flurry of hotel flotations this year and the announcement last week that Princess Metropole Hotels, owned by Lonrho, is poised for a £600m-£700m float in September.

The Thistle flotation reflects the desire of Brierley, the New Zealand group, to reduce its 70 per cent holding. However, it is not yet clear what size of stake will be offered to investors.

The Singapore government owns the other 30 per cent of Thistle, which used to be known as Mount Charlotte Investments.

Analyst's had expected Thistle to come to market with a price tag of about £1bn. The company believes, however, that the upturn in the London hotel market will lead to a higher valuation.

Thistle will also unveil first half results this week, which are expected to show a 25 per cent improvement in profits to about £25m.

Robert Peel: from fish and chips to four-star hotels

The company, which is being advised by Merrill Lynch and Baring Brothers, was listed until six years ago when its was taken over by Brierley for £644m.

It is run by Mr Robert Peel, chief executive, who transformed it from a few fish and chip shops and seaside hotels when he joined in 1976, into a 100-hotel group primarily in the four-star market.

Charles Taylor set for London quote

By Ralph Atkins, Insurance Correspondent

Charles Taylor, the UK specialist insurance management services provider, will announce today plans for a London Stock Exchange listing, creating a group expected to have a market value of about £30m ($46.8m).

A pathfinder prospectus for a placing is expected to be released in the next month with the aim of obtaining a listing in the autumn. The group has grown rapidly in the past decade with annual fee income almost doubling in the past five years to £19m. In the six months to June 30 it made pre-tax profits of £1.8m on revenues of £10m.

The group specialises in advising and managing mutual insurance associations set up within a variety of industries to provide cover when conventional insurers are unable or unwilling to provide low-cost protection.

The most common examples are shipowners' protection and indemnity clubs but it also acts for organisations providing "workers' compensation" cover in the US, similar to UK employers' liability policies.

The group's revenues are mostly generated overseas, including Bermuda.

The placing will be sponsored by Phoenix Securities and de Zoete & Bevan.

Investors approve Normandy plan to consolidate

By Nikki Tait in Sydney

The long-planned merger of Normandy, the Australian mining group, with PosGold, its 51 per cent-owned goldmining arm, and Gold Mines of Kalgoorlie has won overwhelming backing from shareholders at a series of meetings in Adelaide.

The share swap deals will be put to the South Australian courts this week for approval, and trading in the shares of PosGold and GMK is set to cease shortly afterwards. This will leave Normandy as the remaining listed entity.

A further takeover offer by Normandy of North Flinders Mines is due to close in early September. PosGold currently holds 49 per cent of North Flinders and 31 per cent of GMK.

The plan by Mr Robert Champion de Crespigny, Normandy chairman, to consolidate the various related companies under the one Normandy umbrella was first unveiled nine months ago.

Normandy said the investment community disliked the group's complex structure, and that a re-rating should accompany the merger plan. The merged group would become Australia's largest gold miner and the world's eighth largest gold prodncer.

However, initial attempts to implement the deal ran into problems when Newcrest Mining, another Australian gold producer, tried to join the merger scheme.

Approval from shareholders came as Normandy announced an A$41.6m (US$32.6m) profit after tax (but before abnormal items) in the year to end-June, slightly higher than last time's A$41.1m.

But most of the 1995-96 profits was contributed by Normandy's stake in PosGold; the directly-owned interests made a pre-tax loss of A$773,000.

Among these assets, the commercial minerals division made a pre-tax profit of A$18.8m, but this was offset by a A$13m loss from the Woodcutters mine and by corporate expenses of A$10.6m.

By contrast, PosGold saw profits after tax (but before abnormal items) rise from A$71.7m to A$84.4m. A higher realised gold price, higher sales and a profits turnround at the Big Bell and Gecko mines were largely responsible – with the Bounty and Boddington mines showing weaker results.

GMK's after-tax profits also slipped from A$45.8m a year ago to A$19.6m (pre-abnormal items), but North Flinders advanced from A$30.6m to A$34.7m.

Sandvik upbeat despite fall of 15% midway

By Hugh Carnegy in Stockholm

Sandvik, one of Europe's top engineering companies, joined the ranks of Swedish export companies hit by weak market demand and a strengthening krona when it reported a 15 per cent drop in profits in the first half of the year.

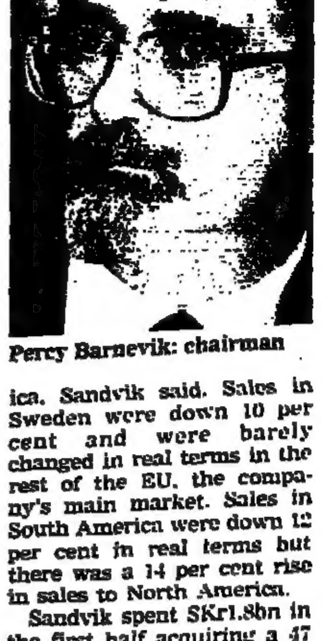
The toolmaking specialist – chaired by Mr Percy Barnevik, chief executive of the Swiss-Swedish giant ABB – said profits after financial items dipped from SKr2.99bn at the same stage last year to SKr2.55bn ($388m). It said SKr200m of the fall was due to adverse currency movements.

Earnings per share slipped from SKr7.20 to SKr6.40 and investors reacted coolly. Sandvik shares fell SKr1.5 on Friday after the announcement to close at SKr144.5.

But Mr Clas Ake Hedström, chief executive, was unruffled by the reverse. "We are still at a very high level," he said. "We have an operating margin of 18 per cent despite the negative factors and spending on building up our marketing in Asia and the Nafta area. We just came down from an all-time high."

Group sales fell 4 per cent from SKr15.2bn to SKr14.6bn but Mr Hedström said that was largely due to the currency effect and structural changes. The order intake during the period slid by 11 per cent from SKr16.2bn to SKr14.4bn, but the underlying decline was 4 per cent.

The weakest markets were in Europe and South America, Sandvik said. Sales in Sweden were down 10 per cent and were barely changed in real terms in the rest of the EU, the company's main market. Sales in South America were down 12 per cent in real terms but there was a 14 per cent rise in sales to North America.



Percy Barnevik: chairman

Sandvik spent SKr1.8bn in the first half acquiring a 47 per cent stake in Kanthal, a Swedish heating wire company, and a 49 per cent stake in Tampella, a Finnish industrial group. But the group still had liquid assets of SKr4.5bn at the end of June.

Sandvik is set to take full control of Tampella but has been thwarted from a full takeover of Kanthal by the controlling shareholders. Mr Hedström nevertheless said he was happy to retain the holding in Kanthal and to pursue joint industrial projects if possible.

Tele Danmark in pact with Telia

By Andrew Arnold in Copenhagen

Tele Danmark, the state-controlled communications company, has signed an interconnection agreement with Sweden's Telia.

The deal gives Telia the chance to establish a competing service via Tele Danmark's network. In return the Danish company will sell its services in Sweden using Telia's established infrastructure through its Telenordia joint venture with British Telecom and Norway's Telenor.

It is the second deal Tele Danmark has signed with a Swedish telecommunications company. Tele 3, a subsidiary of the Kinnevik group, signed an agreement at the end of June. Other operators, including Global One, in which Britain's Cable and Wireless has an interest, are also believed to be keen to enter the Danish market.

A Tele Danmark spokesman said the price agreed for calls was the same for both companies.

The market for telecommunications in Denmark was liberalised last month.

Tele Danmark shares have been traded heavily in the past few months as fears about competition in international traffic and mobile phones have dampened investors' enthusiasm. On Friday the shares closed unchanged at DKr257 despite heavy trading.

The shares took a big hit at the beginning of July after the company said half-year results would be hit by extraordinary marketing costs for mobile phones of about DKr500m. Results for the first six months of 1996 will be published on August 28.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.08.96: Pool purchase price £/MWh	Final Prices for Trading on 21.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.96	12.63	14.27
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
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1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
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2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.08.96: Pool purchase price £/MWh	Final Prices for Trading on 22.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
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COMPANIES AND FINANCE

Kansas City Power bid war hots up

By Richard Tomkins in New York

Western Resources, the Kansas-based electricity company making a $1.9bn hostile bid for the neighbouring Kansas City Power & Light electricity utility, looks set for victory following a crucial vote on Friday. It would be the first successful hostile bid in the current wave of mergers between US electricity utilities.

Mr John Hayes, Western Resources chairman and chief executive, claimed that Kansas City Power & Light had failed to gather enough shareholder support for its agreed bid with UtiliCorp, leaving the way open for Western Resources to proceed with its own offer.

Before Western Resources intervened, Kansas City Power & Light had agreed to a friendly takeover by UtiliCorp, another Kansas-based electricity utility, for $1.6bn. That offer was later raised to $1.7bn in the face of Western Resources' hostile approach.

Earlier this month a federal judge in Missouri delivered a setback to the planned UtiliCorp merger by ruling that two-thirds of all Kansas City Power & Light's shares would have to be voted in favour if the deal were to be approved, rather than 50 per cent.

On Friday, Kansas City Power & Light held a special meeting of shareholders to vote on the UtiliCorp merger. Afterwards, Western Resources said it estimated that proxies opposing the UtiliCorp merger or abstaining totalled 27.1m, or 53 per cent of the total vote cast.

Western Resources' Mr Hayes said: "It is clear that KCPL's management failed to achieve the legally-required two-thirds vote to complete their proposed merger with UtiliCorp, and we believe they have failed to receive even a simple majority of those voting today."

Western Resources will now start lobbying Kansas City Power & Light's shareholders to support its own offer, worth $31 a share in Western Resources stock. The initial closing date is September 20, but seems likely to be extended.

Kansas City Power & Light said a preliminary tabulation of the vote would not be available until September and urged shareholders not to tender their shares to Western Resources in the meantime. UtiliCorp said it would await the outcome of the vote before deciding its next move.

David Lowell has sold out to Barrick Gold

Arequipa sale nets founder C$87m

David Lowell and Catherine McLeod: met in South America

David Lowell's achievements as a geologist already have secured him a place in the Mining Hall of Fame. Now they have also made him a very rich man. At the weekend he was celebrating after agreeing to sell the company he set up four years ago to Barrick Gold, North America's biggest gold producer, for more than C$1bn (US$728m) and on terms that value his personal holding at C$87m.

It is for copper rather than gold that Mr Lowell won his place in mining history. In 1970 he wrote a paper about a different way of finding big copper deposits. Since then, many other geologists have successfully employed that theory. He, himself, has collected six "finder's fees" for copper projects, culminating in the 1981 discovery of Escondida in Chile, now the world's biggest copper mine.

The Escondida discovery would have allowed him to retire and live comfortably for the rest of his life. Instead, Mr Lowell, who is now 68, set off to test his theories in Peru.

In South America he met Ms Catherine McLeod, daughter of a Canadian mining entrepreneur and then working for stockbroker Yorkton Securities in Santiago. Previously Mr Lowell had acted as a consultant for other companies. When Ms McLeod realised the potential of the properties he had assembled in Peru, she persuaded him to set up his own company instead. He later appointed her president.

Arequipa was launched on the Vancouver exchange late in 1994 at 78 Canadian cents a share. In January this year the shares were trading at C$2.50. Barrick bid C$27 cash in July but had to lift the offer to C$30 to win the backing of Mr Lowell and Ms McLeod.

Ms McLeod is now 36. Her shares and options are worth about C$17m and several other Arequipa directors and employees are now dollar millionaires.

Arequipa's prime asset is the Pierina gold deposit 400km north of Lima. Arequipa had sunk only nine drill holes into Pierina before the Barrick bid and these suggested there might be 3.5m troy ounces of gold there. Barrick obviously believes there is much more. So do Mr Lowell and Ms McLeod. During the five weeks while the first bid was on the table, Arequipa speeded up drilling on the site and the results were encouraging.

Mr Lowell says the new bid offers Arequipa shareholders the chance to benefit from further discoveries at Pierina or the several other projects the company has been developing in Peru because Barrick is now offering cash or a shares-and-cash alternative.

"I personally will elect to receive a substantial portion of my consideration in Barrick stock," he says.

Kenneth Gooding

Swiss infertility specialist lifts profits by 70%

By William Hall in Zurich

Ares-Serono, the Swiss pharmaceutical company which is the world leader in the treatment of infertility, has underscored its position as one of Switzerland's top growth stocks with a 70.3 per cent jump in its first-half net income to $20.6m.

The improvement in the company's performance follows several difficult years and suggests that its strategy of investing heavily to become a leading bio-technology company is paying off. Over the past two years its research and development spending of $283m has been roughly five times the size of total net income. In the latest six months, the $67.2m invested in R&D is still more than three times net income.

However, the rate of increase in R&D spending dropped to less than 2 per cent in the latest half-year and this, combined with a 15 per cent rise in sales to $375.9m, led to the strong profit growth.

Ares-Serono shares jumped nearly 6 per cent on Friday to SFr1,185 on the results. They have been one of the best performers on the Swiss stock market this year, pushing the company's market capitalisation up to SFr3.1bn ($2.6bn). The shares, which have risen 46 per cent this year, are currently trading on 65 times prospective 1996 earnings.

Mr Ernesto Bertarelli, who took over as chief executive in January from his father, said the performance was particularly pleasing since it had been achieved despite continuing charges against the gross margin relating to the switch in production from extractive to recombinant technology. He expects the positive trend in sales and profits to continue in the second half.

European pharmaceutical sales rose by 15.4 per cent. But there was a marked difference in individual markets, with sales increases of 85.4 per cent and 47.4 per cent in the UK and Germany respectively, offsetting a 14.8 per cent fall in Spain and a 3.9 increase in Italy.

Sales in the Asia Pacific region rose by 65.3 per cent but in Japan they fell by 15.7 per cent. The company says the setback in Japan came from a weaker yen and government-enforced price cuts.

Apart from its traditional strong position in the $650m-a-year market for infertility treatment, Ares-Serono has been expanding its activities in growth hormones and immunology products and has seven recombinant drugs under development.

Shanghai Petrochemical buys fibre plant

By John Ridding in Hong Kong

Shanghai Petrochemical, the Chinese group which is listed in Hong Kong, announced that it is to buy a Shanghai-based acrylic fibre plant for Yn38.8m ($4.7m).

The deal marks the first acquisition by the Chinese petrochemical concern. It is intended to increase its market share and improve competitiveness. It also marks a step towards consolidation in the sector, which has been hit by overcapacity.

The plant, to be acquired from Shanghai Jiushi Company, produced 26,300 tonnes of acrylic fibre last year. Turnover reached Yn520m and gross profits Yn1.88m. Total assets are estimated at Yn850m.

Shanghai Petrochemical says the acquisition will raise its share of Chinese acrylic production from 32 to 44.5 per cent, and enable a reorganisation of its facilities. Economies of scale, and reduced production costs and overheads were cited as additional incentives.

"The company's management expertise and its dominant position in the industry will lead to improvements in the operating efficiency of the plant," said Mr Wu Yixin, president of Shanghai Petrochemical.

Total acrylic production after the acquisition is expected to rise to about 92,000 tonnes, supporting Shanghai Petrochemical's expansion drive.

However, financing for this strategy has been complicated following the group's recent decision to shelve a placement of new shares in the face of weak demand from international investors.

● Beijing Power Generation is seeking to become the first mainland Chinese company to be listed on the London stock market. The listing would be in conjunction with the issue of shares and a primary listing on the Hong Kong stock exchange.

Chinese financial officials declined to comment on the possible timing of the move, and said that the company was one of several candidates for an international listing. Four mainland power companies have already issued shares abroad and two have been listed in New York.

Anti-inflation policies in China, the resulting tight control of tariffs, and weak demand for international issues by mainland companies have slowed the listing process for power firms. However, signs of an upturn in the Chinese economy are encouraging companies to push ahead with capital raising schemes.

Publicis expands abroad

By David Owen in Paris

Publicis, the French advertising and publicity agency, is beefing up its international presence through substantial acquisitions in Brazil and Mexico.

The group is acquiring 60 per cent of Norton Publicidade, Brazil's 12th-largest advertising agency, and 51 per cent of Romero y Asociados of Mexico. The terms were not disclosed.

The acquisitions are expected to be the first in a series made abroad by the company, which has had a working relationship with True North, a large US advertising agency, since 1988.

Mr Maurice Levy, chairman and chief executive, said the deals represented "an important stage in our geographic development through our presence in the most populous and most economically-promising countries in the Americas".

He said the transactions provided "solid proof of our will and our ability to serve and accompany our clients on world marketplaces".

Norton, which had 1995 billings of $95m and this year celebrates its 50th anniversary, is based in São Paulo and employs 160 people. Its clients include Nestlé, the food giant, and the Brazilian postal service.

Romero, which also has Nestlé among its clients, traces its origins back to 1951. The agencies will be known respectively as Publicis-Norton and Publicis-Romero.

Publicis, Europe's second-largest advertising and publicity agency, had billings in 1995 of $4.1bn. It recently reported first-quarter 1996 turnover of FFr4.9bn – a 6 per cent increase year-on-year.

Earlier this year, Ms Elisabeth Badinter, the writer, took over as chairman of the group's supervisory board following the death at the age of 89 of her father, Mr Marcel Bleustein-Blanchet, the agency's founder. The family remains the majority shareholder.

S&P cuts triple-A rating on Winterthur

By William Hall

Winterthur has become the second of the big three Swiss insurance companies to lose its triple-A rating in less than a month.

Standard & Poor's, the US credit rating agency, has lowered its rating on the claims-paying ability of Winterthur Swiss Insurance Co to double A-minus.

It said capital adequacy is insufficient to maintain a triple-A rating following two years of acquisition-led growth, with higher financial and investment leverage and increasing focus on return on equity.

The ratings agency cited similar factors when it downgraded Zurich Insurance to double A-plus earlier this month. S&P said its decision was based partly on the balance sheet impact of the goodwill arising from Winterthur's acquisitions and the near doubling in the financial leverage, to 23.7 per cent, since 1993.

Winterthur said that it disagreed with S&P's assessment and stressed that the amount of capital the rating agency required for its triple-A status "greatly exceeds" the EU requirements which Winterthur has "always more than fulfilled".

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Philip Coggan

Bull run for emerging markets?

Even if the Federal Reserve does not raise interest rates this week, chances are that US monetary policy will soon be tightened. And that is a danger for emerging markets, which have strong trade and currency links with the US, and which suffered badly when rates were raised in 1994.

The prospect of a Fed tightening may be responsible for taking the shine off emerging markets so far this year. Having been 12.8 per cent ahead by May 1, the IFC composite index has since dropped by 4.5 per cent. However, Ms Nancy Curtin, who runs the Baring Chrysalis fund, thinks that, although negative in the short term, a Fed rate increase should not derail emerging markets as they go into 1997.

She says corporate earnings growth was always going to be sluggish this year, because of the measures taken to reduce overheating in Asia and the aftermath of the currency crisis in Latin America. However, earnings growth should pick up towards the end of 1996 and into 1997.

On the valuation front, emerging markets look cheap relative to the developed world, on a price-to-cash flow and price-to-book basis. And while the global liquidity background may be deteriorating, domestic liquidity should improve as, particularly in Asia, governments reduce high real interest rates imposed to combat overheating.

Doubts have recently started to be raised about whether Asia's phenomenal growth can be sustained, as rising real exchange rates and sluggish economic growth in the developed world have hit the region's export prospects.

But with economic growth widely expected to pick up in Japan and Europe in 1997, and no substantial slowdown feared in the US, Asia's problems may be cyclical rather than structural. And after disappointing years in 1994 and 1995, emerging markets are surely due a bull run.

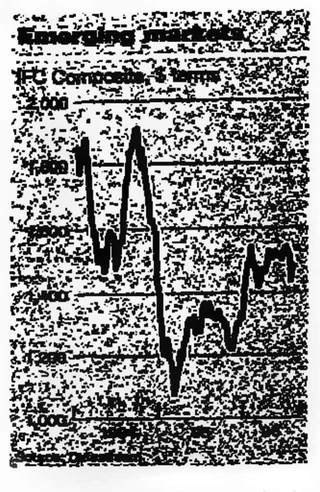
Active option

1995 was a difficult year for active investment managers. The 37.6 per cent return from the S&P 500 index in the US proved a tough target to beat; investors also had to be nimble to get in and out of the technology sector at the appropriate times. Markets outside the US were also difficult. Those who invested in Tokyo lost most of their gains if they left their yen exposure unhedged; with the exception of Switzerland, dollar-based investors lost out if they went outside the US.

Small wonder, therefore, that indexed management remains popular. But Mr Patrick Moriarty and Mr Robert Jaeger of Evaluation Associates Capital Markets, which tracks the performance of investment funds, have produced a paper arguing the merits of active management.

They point out that some markets are much more efficient than others. It was relatively easy for US small cap managers to beat the Russell 2000 index last year and bond managers have been able to beat their benchmarks by about 50 basis points over five years.

They also highlight the highly-concentrated nature of some indices. The top 10 names in the S&P 500 make up 17 per cent of the index; the biggest four of the 24 countries in the emerging markets index represent 48.4 per cent. "The active manager starts off with a more genuinely diversified portfolio, but the resulting "tracking error" will sometimes work against him, in which case the lower return is a product of lower risk" EACM argues.



It also contends that, while an index portfolio involves a "buy and hold" strategy, the initial weights are momentum-driven; "the index will be overweighted in situations that have shown strong relative performance and will be underweight in weak performers".

In addition, for international indices, EACM points out that "index weights will be driven by supply considerations unrelated to investment value; a rise in the level of initial public offering activity, or a move to privatise state-owned companies, will boost aggregate market capitalisation without adding to the investment attractiveness of an area.

"The cap-weighted index rides the country all the way up, then all the way down, whereas a contrarian/rebalancing approach will trim back the strong performers and add to the weak performers, thus boosting return while reducing risk."

Certainly, arguments against indexation are strongest in the international arena, where a strict market cap-based approach would have prompted investors to be massively exposed to Japan in the late 1980s, with potentially disastrous results when the bubble burst.

Total return in local currency to 15/8/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.07	0.17	0.11
Month	0.46	0.04	0.33	0.31	0.77	0.48
Year	6.06	0.94	4.51	6.00	10.75	7.31
Bonds 3-5 year						
Week	-0.14	0.17	0.20	0.01	-0.09	0.08
Month	1.16	0.88	1.16	0.86	1.11	0.83
Year	5.95	4.87	9.20	11.03	18.77	10.18
Bonds 7-10 year						
Week	-0.11	0.25	0.21	-0.04	-0.34	-0.01
Month	2.02	1.24	1.79	1.45	1.80	1.42
Year	6.29	5.97	10.99	13.89	24.97	11.17
Equities						
Week	-0.1	0.7	0.2	-0.6	-1.3	0.8
Month	5.7	-2.9	0.4	-1.9	-2.1	4.0
Year	21.1	-14.1	15.1	8.3	-9.7	16.0

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit.
The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE — Compiled By AFX News

Fall expected at Volvo despite capital gain

Volvo, the Swedish carmaker, is expected to report pre-tax profits of between SKr3.21bn and SKr4.43bn ($671m) on Wednesday for the six months to June.

Profits last time were SKr5.33bn.

Included in the result will be a SKr453m capital gain.

Last week the company announced restructuring measures in its North American truck unit, Volvo GM Heavy Truck Corp, following weak sales.

The unit is 13 per cent-owned by General Motors. Some analysts had warned that poor US sales could push Volvo Truck into a second quarter operating loss.

■ **Royal Nedlloyd:** Analysts expect the Dutch transport group to report a second quarter net loss of Fl 6m-Fl 14m ($3m-$8m) from ordinary operations on Tuesday. However, an extraordinary gain of about Fl 250m is expected from the sale of Neddrill.

Including first-quarter results, analysts are forecasting a first-half net loss of Fl 19m-Fl 30m against profits of Fl 38m before a Fl 58m extraordinary gain.

■ **ING Group**, the Dutch financial services company, is expected on Thursday to announce net profits of between Fl 1.48bn and Fl 1.54bn ($889m-$928m) for the first half of 1996, and earnings per share of Fl 2.05-F.2.11. Profits in the first half of 1995 were Fl 1.18bn.

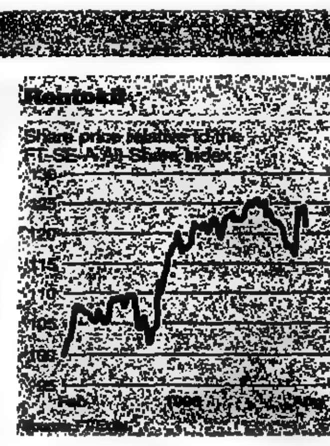
Analysts expect its banking arm to remain the main source of profit growth.

■ **News Corporation** is expected to reveal a slight decline in full-year profits on Thursday, with analysts predicting about A$1.4bn ($1.09bn) pre-tax, compared with A$1.46bn. The figure reflects the continuing cost of the national newspaper price war in the UK and the price of establishing Stat TV, the satellite television venture in Hong Kong.

One bright spot for News Corp will be the results of British Sky Broadcasting due to be announced on Tuesday. BSkyB is expected to produce pre-tax profits of about £250m ($390m) against £155m. The satellite venture will report that it has passed the 5m mark for UK subscribers for the first time.

This week's results will also be the last time that News International, the UK businesses, are reported separately. News Corp is in the process of buying out the minority shareholders.

■ **Rentokil**, the UK business services group, will face some tough questions about its £2.1bn ($3.27bn) acquisition of BET when it reports interim results on Thursday.



Sir Clive Thompson, chief executive, will be under pressure to disclose the level of immediate cost savings from actions such as closing BET's headquarters, which could run to £30m.

Analysts will also be eager to find out which of BET's operations Rentokil intends to sell. The group has said that the plant hire, training and leisure divisions are being reviewed and distribution in North America is another possible candidate.

Other questions are likely to focus on plans to improve margins at BET's underperforming cleaning, catering and personnel businesses.

The lack of information since the May acquisition has led some to suggest the integration of BET's activities is proceeding slowly.

Analysts are forecasting first-half pre-tax profits of £130m-£140m, before any restructuring charge related to the acquisition, including a two month contribution from BET.

Compared with £99.2m last year, this is comfortably ahead of the 20 per cent growth target which Rentokil has achieved for the last 14 years.

The group is expected to show a strong improvement from its south Asian, North American and UK businesses, while some slowdown is forecast for its continental European operations.

The shares have weakened prior to the results as some analysts have raised doubts about the quality of the assets Rentokil has acquired. The shares are on an ambitious forward multiple of about 24, and will need a strong set of results to maintain that level.

■ **Argos**, the UK catalogue retailer which returned £127m ($198m) to shareholders via a special dividend earlier this year, is expected to maintain the momentum which has made it one of the UK's most admired retailers when it reports half-year figures today.

Analysts expect profits to rise from £31.8m to £25m-£28m. The group still has plenty of cash on its balance sheet, and the City of London will be interested to hear if its expansion plans have taken further shape.

■ **Orange**, the UK mobile telecoms group is expected to report pre-tax losses of between £125m and £135m ($211m) on Tuesday. Beacuse of its flotation in March, there are no comparable figures. For the full year it reported losses of £175m.

Analysts do not expect a dividend to be paid at this stage as the company continues to develop its digital mobile network and subscriber base across the UK.

However, they will be hoping for positive news on new subscribers and perhaps some fresh marketing initiatives to help revive its flagging share price. Since coming to the market at 205p, the shares have drifted down to 184p over US coolness towards new technology stocks and disappointment over sales in the UK market.

INTERNATIONAL EQUITIES

Sprinting for the autumn rush

Activity in the international equity market has ground to a halt in the last few weeks as most syndicate managers squeeze in some holiday before what is set to be a busy autumn for the market.

"The calendar for September and beyond is looking very crowded," said one of the few syndicate managers to be found at their desk last Friday. According to estimates by Salomon Brothers, the volume of international equity offerings in the third quarter could total $10bn, or $15bn if the Italian government decides to launch a secondary offering of shares in Eni, the energy company, before the end of September.

Banks are in a rush to get deals off the blocks soon after the summer break in order to avoid the swell of issues scheduled for the final quarter of the year. Salomon estimates that volume in the October-December period could top $25bn, inflated by the $10bn part-privatisation of Deutsche Telekom which is due to take place in November.

In view of the large demands which will be made on the primary equity market for the rest of the year, bankers are thankful that secondary markets have recovered their composure after the weakness in mid-July. "It is encouraging to see the markets in better shape," said one banker.

The improved market sentiment was reflected in the successful secondary offering by SAP, the German software company. The $350m deal was 4½ times subscribed, a stronger-than-expected result in view of the heavy selling of technology stocks during July.

Hotel flotations are expected to be a feature during the next two months. SBC Warburg is preparing the flotation of Princess Metropole Hotels, currently part of Lonrho. The flotation, which could value the company between £600m and £700m, is set to go ahead in September. The shares will be marketed in Britain, continental Europe and the US – where the Princess chain of resort hotels is best known.

The Princess Metropole offering follows a flurry of hotel flotations, including Millennium & Copthorne, Regal, Jarvis and Macdonald and Spain's Sol Melia group, during a period of strong recovery in the sector. Another candidate is Thistle Hotels, the UK's second largest hotels company. Its parent company, New Zealand-based Brierley Investments, is set to make a decision early this week on whether to proceed.

If the Thistle flotation goes ahead, the likely timetable will be early October. Baring Brothers and Merrill Lynch have been appointed as advisers, with the latter earmarked to be the bookrunner of the offering. Analysts have attached a tentative price tag of £1bn to the company.

Other deals which are set for September include Global Depositary Receipt offerings from the State Bank of India, via Lehman Brothers, and Lite-On, a Taiwanese technology company, via BZW.

Europe is also expected to be active, with a secondary offering from Scor, the French reinsurance group, and a large convertible offering from Germany likely to emerge during the next month.

The Finnish government is also believed to be considering a further sale of shares in Kemira, the chemicals group which is 72.3 per cent state-owned after being partially privatised in 1994.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 16 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY AUGUST 15 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	200.87	5.7	192.35	136.99	155.96	170.37	0.3	4.29	199.41	190.86	138.04	154.01	169.85	212.18	177.98	178.99
Austria (24)	179.20	2.7	171.60	122.21	139.14	139.07	7.2	2.02	179.20	171.33	122.25	138.40	138.33	195.04	168.11	183.47
Belgium (27)	215.70	3.1	206.56	147.10	167.48	163.67	7.8	4.07	215.91	206.44	147.30	166.78	163.04	217.62	186.06	186.71
Brazil (28)	181.10	31.3	173.42	123.51	140.61	337.71	36.9	1.89	180.67	172.75	123.26	139.54	336.79	189.70	123.97	148.50
Canada (118)	160.61	6.2	153.80	109.54	124.71	159.73	9.0	2.25	159.78	152.77	109.00	123.40	159.31	165.12	134.14	147.33
Denmark (30)	315.95	9.4	302.55	215.47	245.32	248.14	14.0	1.85	315.48	301.63	215.22	243.66	246.53	316.51	276.89	282.04
Finland (23)	208.06	11.2	199.24	141.90	161.55	195.57	14.7	2.56	206.87	199.70	142.49	161.32	195.68	278.11	171.73	253.45
France (95)	187.30	4.4	179.36	127.74	145.43	149.91	8.9	3.22	188.28	180.02	128.45	145.42	149.91	199.39	167.70	182.14
Germany (58)	174.86	6.8	167.44	119.25	135.77	135.77	11.5	1.90	175.87	168.15	119.98	135.83	135.83	178.72	155.66	158.34
Hong Kong (58)	427.25	10.2	409.14	291.38	331.74	424.25	10.2	3.45	426.84	408.11	291.19	329.67	423.84	451.19	348.81	351.76
Indonesia (27)	184.49	-	176.66	125.82	143.24	265.23	-	1.79	183.62	175.57	125.27	141.82	263.93	-	-	-
Ireland (16)	287.78	12.6	275.58	196.26	223.45	252.38	12.4	3.45	287.41	274.80	196.08	221.98	252.18	290.82	235.89	235.92
Italy (56)	76.47	3.8	73.22	52.15	59.37	88.78	-0.8	2.48	76.29	72.94	52.05	58.92	88.28	84.53	67.22	80.59
Japan (481)	147.59	-4.7	141.33	100.65	114.59	100.65	-0.4	0.76	148.04	141.55	101.00	114.34	101.00	164.68	137.75	150.20
Malaysia (107)	545.79	12.5	522.65	372.22	423.78	524.29	10.5	1.72	541.80	518.08	369.62	418.46	519.85	585.09	425.77	523.81
Mexico (19)	1282.43	24.8	1237.82	881.41	1003.50	10569.77	21.1	1.38	1269.27	1212.62	865.22	979.54	10414.54	1325.65	791.99	1168.25
Netherland (19)	298.90	9.8	286.22	203.84	232.08	228.54	14.5	3.16	298.69	285.52	203.73	230.64	227.18	299.69	245.79	246.86
New Zealand (15)	82.14	3.1	78.65	56.02	63.77	63.27	-2.2	4.29	81.84	78.25	55.83	63.21	63.21	84.71	75.94	79.84
Norway (35)	247.78	7.1	237.27	168.98	192.39	216.93	9.4	2.09	247.39	236.53	168.77	191.07	215.42	256.94	222.24	228.65
Philippines (22)	201.90	-	193.34	137.69	156.76	263.57	-	0.82	200.82	192.01	137.00	155.10	262.15	-	-	-
Singapore (44)	388.34	-4.6	371.87	264.84	301.52	252.10	-5.0	1.52	388.23	371.20	264.85	299.85	252.62	465.21	355.81	355.81
South Africa (44)	322.40	-16.3	308.73	219.87	250.33	320.80	4.5	2.34	323.62	309.61	220.91	250.10	322.92	437.76	322.40	351.47
Spain (37)	176.89	7.1	169.39	120.64	137.34	169.04	11.3	3.46	176.26	168.52	120.24	136.13	167.91	188.85	145.15	154.03
Sweden (48)	354.50	13.6	339.47	241.77	275.25	348.51	13.8	2.45	356.14	340.51	242.96	275.06	349.88	360.77	280.86	281.65
Switzerland (37)	247.32	4.8	236.83	168.67	192.03	185.79	10.4	1.60	247.12	236.28	168.59	190.86	184.68	252.34	193.71	193.71
Thailand (45)	141.49	-15.9	135.44	96.46	109.82	138.81	-15.6	2.43	142.85	136.58	97.45	110.33	140.23	193.95	141.28	160.54
United Kingdom (199)	242.79	5.3	232.50	165.58	188.52	232.50	5.6	4.10	241.12	230.54	164.49	186.22	230.54	242.79	218.52	218.01
USA (626)	270.95	7.8	259.46	184.78	210.38	270.95	7.8	2.18	269.93	258.08	184.15	208.48	269.93	276.47	227.31	228.57
Americas (791)	247.72	8.2	237.22	168.94	192.34	208.32	8.2	2.17	246.75	235.92	168.33	190.57	207.93	252.43	208.66	209.73
Europe (706)	213.15	6.1	204.11	145.37	165.50	184.42	8.6	3.09	212.90	203.56	145.24	164.43	183.55	213.30	189.62	190.50
Nordic (138)	308.27	11.8	295.20	210.24	239.36	264.83	18.3	2.33	309.16	295.59	210.91	238.77	264.90	309.16	261.13	271.30
Pacific Basin (880)	160.69	-2.8	153.88	109.59	124.77	111.91	0.5	1.23	160.96	153.90	109.81	124.32	112.15	177.01	148.88	159.72
Euro-Pacific (1586)	182.42	1.4	174.69	124.41	141.64	138.26	4.2	2.13	182.48	174.47	124.49	140.93	139.12	190.57	166.51	172.45
North America (744)	264.16	7.9	252.96	180.15	205.11	263.54	7.9	2.19	263.15	251.60	179.52	203.24	262.56	269.52	222.36	223.54
Europe Ex. UK (507)	192.32	6.6	184.16	131.16	149.32	157.11	10.2	2.52	192.70	184.24	131.46	148.83	156.69	184.86	169.65	171.39
Pacific Ex. Japan (399)	281.08	6.2	269.17	191.70	218.25	242.99	4.2	3.07	280.04	267.75	191.05	216.29	242.37	296.69	243.59	251.93
World Ex. US (1795)	183.63	1.5	175.85	125.23	142.58	143.84	4.7	2.13	183.63	175.57	125.28	141.83	143.67	191.55	167.36	173.59
World Ex. UK (2222)	207.62	4.0	198.82	141.58	161.21	175.27	6.1	1.95	207.40	198.30	141.49	160.19	174.97	213.05	185.61	187.63
World Ex. Japan (1940)	245.02	7.0	234.64	167.10	190.25	231.30	8.0	2.54	244.31	233.59	166.67	188.69	230.41	247.55	212.82	213.18
The World Index (2421)	210.68	4.2	201.75	143.68	163.58	180.39	6.0	2.15	210.34	201.11	143.49	162.45	179.97	214.95	188.71	180.30

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 16/8/96: Addition; Allegheny Teledyne (Medium-Small Cap) (USA). Deletions: Scotts Hospitality (Canada) and Teledyne (USA). Name Changes: Dial Corp to Viad Corp (USA); Verbund to Oest Elektrizitats (Austria). Market closed 16/8/96: France.

MARKETS: This Week

NEW YORK By Richard Tomkins

The biggest event for US securities this week is tomorrow's meeting of the policy-making Federal Open Market Committee. But it is unlikely to deliver any surprises: at the end of last week it was hard to find anyone on Wall Street who expected the Fed to do anything other than sit on its hands, leaving interest rates unchanged.

A few weeks ago things looked very different, as government statistics repeatedly pointed to a heating up of economic activity. Markets tumbled on the likelihood that the Fed would lift interest rates to keep the lid on inflation.

Recent data, however, have reassured analysts that the expected slowdown in second-half economic activity is indeed taking place, making an increase in rates unnecessary.

Even so, bonds took a battering last week as a flurry of statistics indicated that growth was uncomfortably strong in July, and there is little unanimity about the Fed's next move. Much more data like last week's, some say, and a tightening, can be expected, while others believe an easing could be in sight by the end of the year.

With few statistics due this week, the issue seems

unlikely to be clarified. The most closely-watched data will be Friday's release by the Commerce Department of the advance report on July durable goods orders.

Salomon Brothers thinks the figures will show a surge in orders of 4 per cent, due to strength in cars, commercial aircraft and other hard goods. This is well above consensus expectations of 0.5 per cent, and if the prediction is fulfilled, it will do little to reassure markets.

LONDON By Philip Coggan

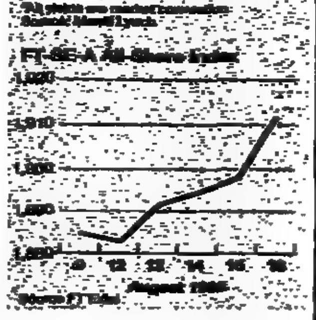
Investors took advantage of some thin trading volume last week to push the FT-SE 100 index to all-time intra-day and closing highs. The UK's leading index has risen by 240 points with scarcely a break, since mid-July.

The Footsie has at last broken through the top of its 3,650 to 3,850 trading range, although Mr Brian Marber, the chartist, warns that a bearish "double top" pattern may be emerging.

Whether the Footsie can maintain its momentum this week may depend on events abroad. At the Federal Reserve's meeting tomorrow and the Bundesbank's on Thursday important decisions will be made on interest rates; the consensus is that the Fed will stand pat and (less unanimously) that the Bundesbank will edge down the repo rate.

A nasty surprise, particularly a rate rise from the Fed, would provide a tough test for both equities and gilts, which have been lifted by the recent rally in US Treasury bonds.

UK economic news will focus on July retail sales, which are expected to show further evidence of a revival on the High Street. The consensus is for rises of 0.4 per cent month-on-onth and 3.2 per cent year-on-year.



With the holiday season well under way and the most significant corporate results coming from BSkyB, the satellite broadcaster, trading is likely to continue to be subdued this week.

This may have helped sustain the recent rally. Institutions, which have been sellers of UK equities in recent months, have been forced to reinvest their cash in an attempt to play catch-up with the market; the result has been strong upward pressure on prices.

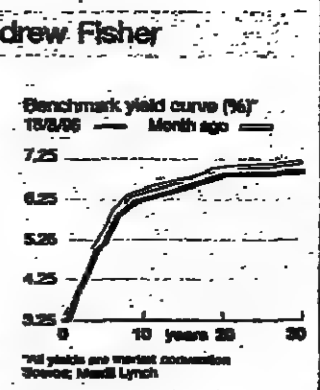
FRANKFURT By Andrew Fisher

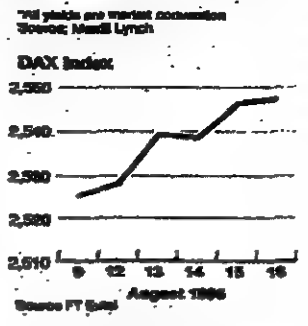
Traffic has been agreeably thin in Frankfurt during the August holiday – and so has speculation about interest rate cuts. But as the Bundesbank's council members get ready for work after their summer break, the guessing game has begun again in earnest.

Just as they did before the break, Bundesbank directors are helping to keep the game going. Last time it was Mr Hans Tietmeyer, the bank president, who mainly fuelled hopes of cuts – however minor – in the 3.30 per cent securities repurchase (repo) rate. This time, following the bank's decision to keep rates unchanged in July, it is Mr Otmar Issing, the bank's chief economist.

By warning that the German economic recovery still looked shaky, he raised hopes of a small move in the repo. He also made clear the D-Mark's rise caused concern. On the other hand, he said, things must be pretty dire if morale hinged on a 10 or 20 basis point cut.

The bank wants to keep long-term rates low, so is happy to keep the markets in suspense. Its decision at Thursday's meeting will be influenced by money supply figures, with July's M3 expected to show more moderate annualised growth





of around 9 per cent. Thus it could switch from a fixed to a variable rate tender, allowing a dip in the repo.

The Bundesbank will also watch to see if the business sentiment index of the Ifo economic research institute shows an improvement after the unexpected June downturn. For the stock market, which has remained steady, additional impulses will come from the half-year results from BASF, Daimler-Benz, Mannesmann, Krupp and Viag.

TOKYO By Emiko Terazono

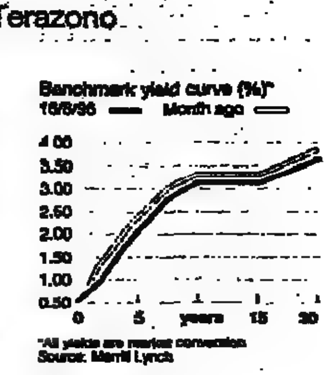
While concerns over an imminent rise in domestic interest rates have receded, most investors are expected to remain inactive ahead of economic events indicating the economic health of Japan and the US.

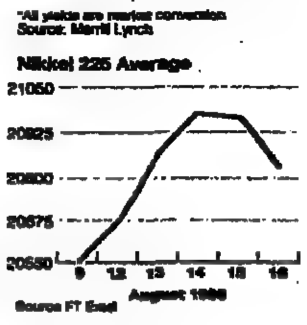
Bond market investors will focus on the Bank of Japan's *tankan* quarterly survey of business sentiment due on August 28. Bond yields, however, are expected to ease slightly because of technical trading on the futures market.

The benchmark contract on the 10-year bond futures shifts from September to December this week, prompting buying of futures contracts, say traders.

Market participants will also be watching the results of the US Federal Reserve's Federal Open Market Committee meeting. Fears that a US interest rate rise will cause a similar move in Japan has unnerved investors over the past few weeks. Although the current consensus is that US rates will remain unchanged, investors remain cautious ahead of the outcome.

How the conclusions of the FOMC meeting affects US investors' fund allocations will be the focus among stock market participants. Foreigners became net sellers of Japanese shares





for the first time in 18 months in July, affected by the outflow from Japanese funds of US mutual funds. This hit confidence of domestic investors and last month's daily average volume on the Tokyo Stock Exchange fell below 300m for the first time this year.

Overseas investors were buying telecommunication related stocks last week, and some traders hope that a rally in the sector will pull the market out of the current doldrums.

COMMODITIES By Richard Mooney

Copper report in the spotlight

Tomorrow's release of the London Metal Exchange's twice-weekly warehouse stocks report is likely to be scrutinised rather more keenly than usual by analysts trying to predict the direction the copper price will head in when it breaks out of its recent fairly narrow trading range.

A bigger than expected rise in last Friday's report knocked market confidence somewhat and suggested, traders told Reuters, that the upturn in stocks that began a month ago might be developing into a long-term trend.

The market is also concerned over large stocks of refined metal, possibly linked to Sumitomo, that are being held in China.

Another substantial rise in tomorrow's LME stocks report could be taken as the signal for a serious test of support around $1,900 a tonne for three-month delivery copper.

The LME copper market finished on the defensive on Friday night, with the three-month price moving below $1,930 in after hours "kerb" trading.

Nearby delivery premiums have also been falling recently, indicating that the tightness that has been propping up the market – despite a broadly bearish supply/demand outlook – is easing.

However, there may be a period of tightness before the September delivery period, traders suggested on Friday. "Stocks are building, and it is very easy to get metal now," one told Reuters. "But I suspect that might not be the case next month."

● Among this week's events is the four-day Sugar 2000 symposium that begins in Brisbane today.

Papers will be presented on the global perspectives of the sugar industry and climatic, biological, economic and social limitations.

Tomorrow sees the publication of the International Primary Aluminium Institute's production data for July.

On Thursday and Friday Adelaide will be hosting the annual Australian Meat Council conference.

OTHER MARKETS Compiled by William Cochrane

STOCKHOLM

The Affärsvärlden general index has performed strongly this year, rising by 16 per cent, well ahead of other bourses. But it wavered last week, lifted by a good report from Ericsson but disappointed by figures from Astra, the pharmaceutical group.

UBS Global Research says in general this year, the foreign exchange effect on corporate profits of the stronger krona has left results below expectations; of this week's batch, it suggests caution on the most currency-sensitive: Volvo, Modo and SSAB.

AMSTERDAM

With the exception of ING, whose interim figures are due on Thursday, most of this week's batch of company results are in the second division, including Pakhoed and Van Ommeren tomorrow, Nedlloyd on Wednesday and Nutricia and Internatio-Mueller on Thursday, *writes John Pitt.*

Merrill Lynch, in a recent preview of the Dutch insurance sector, said it believed ING presented the best value, although it was not expecting a tremendous performance at the halfway stage from any of the companies, (including Aegon and Fortis Amev) given the outperformance in their share prices over the past couple of years.

COPENHAGEN

Danish brokers expect the bourse to extend its string of record highs this week when three of the country's leading banks report half-yearly figures, *writes Andrew Arnold.*

The KFX index of leading shares has broken its previous all-time high four times this month – three times in the past week alone. A peak of 118.35 set on July 4 was beaten first on August 8, with a rise to 118.41; better-than-expected results from Novo Nordisk, the pharmaceuticals company, lifted the market to 118.61 last Wednesday; on Thursday it rose despite losses of DKr2bn at ISS, the international cleaning company, and on Friday it outdid itself with a rise of 0.85, or 0.7 per cent, to 119.61.

Analysts are confident that figures from BG Bank, Unibank and Den Danske Bank will lift the index once more. Encouraging news that the banks' credit losses are coming down will help boost trading, they believe. BG is the first to report, today, followed by Unibank tomorrow and Den Danske on Thursday.

The banks are the highlight in a busy two weeks that will see a flood of companies reporting on the first half of the year. Analysts say that all should benefit from recent figures which have shown the Danish economy growing steadily, and without the threat of interest rate rises.

HONG KONG

This week the market will be driven by two key themes: the results of Tuesday's US Federal Open Markets Committee Meeting; and, locally, property companies which kick off their reporting season, *writes Louise Lucas.*

However, with the summer lull continuing, brokers are predicting another run of relatively inactive trading.

There will also be a focus on China H-shares. Tsingtao Brewery, the first mainland company to list on the Hong Kong market, has been losing value over its involvement in a brewery venture in Shenzhenand the company has promised more information with its interim results today.

Interims from Li Ka-shing's Cheung Kong, the property developer, and Hutchison Whampoa, the conglomerate, on Thursday, should indicate performance in the property sector. Property shares fell towards the end of last week, despite a land auction on Wednesday that saw small plots fetching slightly higher prices than expected.

CURRENCIES

Money supply central to cut in German rates

All eyes will be on the return from the summer holidays of the Bundesbank central council, meeting in Frankfurt on Thursday, as markets look to an easing of German interest rates.

Given the Bundesbank's reputation for perversity when it comes to fulfilling expectations of its actions, few analysts are prepared to bet on a cut in the repurchase rate this week.

The bank looks to the rate of growth in the broad M3 money supply figures for guidance. Indications are bullish about the July M3 data about to be released.

German economists have forecast between 8 and 9.2 per cent, all below the June figure of 9.6 per cent. Most thought M3 would be between 8.5 and 8.9 per cent.

Mr Otmar Issing, the bank's chief economist, said himself last week that M3 growth would slow further.

The argument against a cut by the bank last month seems to have been that it wasn't necessary. Since then, it has done a good job talking down the D-Mark and talking up the French franc. Now, even the anti-inflation hardliners in its central council are unlikely to have any ammunition to sustain the current repo rate.

News of the bank's plans will be eagerly awaited in Paris, where the Bank of France is holding its monetary policy council meeting on Thursday. It will be hoping to gain relief for the franc from a German cut.

This week could well be one of two halves, with a weak D-Mark and a stronger dollar, as the US Federal Reserve starts its own policy meeting tomorrow in Washington. It looks unlikely now to move interest rates upwards, after some mixed economic signals last week. But if it does decide to raise rates, then the chances of repo rate cut in Germany become much slimmer.

For sterling, the market will be interested in the July M4 money supply figures published tomorrow and GDP figures for the second-quarter on Thursday.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Munich Reinsurance (Germany)	American Re (US)	Reinsurance	$3.3bn	Biggest buy
Softbank (Japan)	Kingston Technology (US)	Computer equipment	$1.5bn	Renews US expansion
Fairey Group (UK)	Fusion UV Systems (US)	Specialist engineering	$126m	Electronic booster
Transatlantic Reinsurance (Intl)	Guardian Re (Switz)	Reinsurance	$105m	Building Europe business
Ahold (N'lands)/Central Group (Thailand)	Joint venture	Retailing	$100m	49/51 split
GKN (UK)	Shanghai GKN Drive Shaft (China)	Auto components	$9.5m	Increasing stake
HSBC Holdings (UK)	Unit of JP Morgan (US)	Financial services	n/a	Clearing move
British Aerospace (UK)/ Lagardere Groupe (Fra)	Matra BAe Dynamics (Joint venture)	Weapons	n/a	Defensive manoeuvre
Raks (Turkey)	BASF Magnetics (Germany)	Magnetic tape	n/a	BASF non-core disposal

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 16, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7354.42	4750.00	3180.46	4402.83
Albania	(Lek)	169.074	109.200	73.1166	101.214
Algeria	(Dinar)	85.7114	56.3584	37.0662	51.3100
Andorra	(French Fr)	7.9002	5.1025	3.4165	4.7294
	(Sp Peseta)	195.310	126.145	84.4627	116.920
Greece	(Drachma)	365.944	236.280	158.661	220.654
Greenland	(Danish Krone)	8.9407	5.7745	3.8664	5.3522
Grenada	(E Carib $)	4.1804	2.7000	1.8078	2.5026
Guadeloupe	(Local Fr)	7.9002	5.1025	3.4165	4.7294
Guam	(US $)	1.5483	1	0.6696	0.9269
Oman	(Rial Omani)	0.5961	0.3850	0.2578	0.3568
Pakistan	(Pak. Rupee)	54.0662	35.4945	23.7660	32.8998
Panama	(Balboa)	1.5483	1	0.6696	0.9269
Papua New Guinea	(Kina)	2.0332	1.3132	0.8793	1.2172
Paraguay	(Guarani)	3197.24	2065.00	1382.66	1913.99

MARKETS: This Week

EMERGING MARKETS By Farhan Bokhari

Uncertainty plagues Pakistan

The outlook for Pakistan equities continues to be uncertain following a 14.5 per cent fall in the KSE-100 index since the budget on June 13.

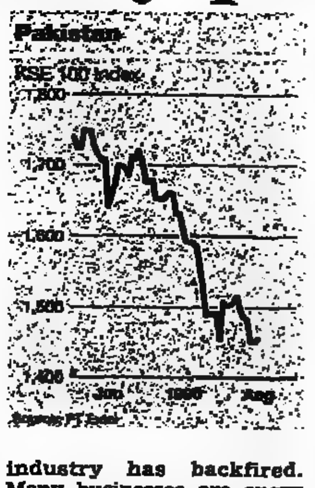
The rapid fall in prices is largely the result of growing economic and political uncertainty, which may hit corporate profits, say analysts.

The index fell last week by some 3 per cent as investors became nervous after the disappointing half-year results of Dewan Salman Fibre. Dewan's shares fell after it became clear that there was no dividend and profits would be sharply lower this year, although no one knows by how much.

The company's recent performance is in sharp contrast to a year ago, when it announced a 20 per cent dividend and a 20 per cent scrip issue. Uncertainty has also grown after Fauji Fertilizers, another market leader, said there were no dividends to be paid on its half-year results.

The fall-out from the performance of companies such as Dewan and Fauji is probably just part of wider concern over the future of the market. Many investors are also worried over the economic uncertainty after the budget.

The government's attempt to slap a new goods and services tax on business and



industry has backfired. Many businesses are angry and insist that heavy taxation would take the economy into recession.

The government responded by reducing some of its proposed tax rates. Plans to impose an 18 per cent goods and services tax on many industrial products have been eased. It has also agreed to reduce the tax rate to 10 per cent for exports. A tax on buses, trucks and oil tankers has also been reduced.

However, such concessions have only cast doubts over the future of an IMF stand-by loan agreement for 401.8m SDRs. The fund has so far lent 187.5m SDRs to Islamabad but no one knows the future of the remainder.

Western economists in Islamabad say the fund is worried that the concessions to businesses after the budget would once again mean that Pakistan would fail to reduce its deficit. For years, Pakistan has been urged by western institutions to trim its deficit as a step towards financial stability.

Mr Nasir Bukhari, chief executive of Khadim Ali Shah Bukhari, a Karachi brokerage, says: "The management of the economy is the key issue. Nobody is really willing to come to the market unless prevailing uncertainty is removed."

Mr Bukhari's remarks are shared by many analysts who are concerned over worsening economic trends. Last week, the rupee was again devalued in an effort to narrow the trade gap. It has been devalued by over 40 per cent in three years.

The devaluation came after the trade deficit soared to $270m in July from $95m in June. The gap has continued to widen despite last November's economic stabilisation measures, when the rupee was devalued and a 10 per cent duty placed on imports.

The fall in the value of the rupee has led many analysts to conclude that the problems with the trade performance relate to issues such as Pakistan's failure to compete against exports of other countries rather than the currency exchange rate alone. For the market, the devaluation and the trade deficit are both bad news. A falling exchange rate is only expected to encourage investors to convert their money to foreign exchange rather than investing in the market, and the growing trade gap suggests a weakening position of exporters.

Such anxieties are likely to depress the outlook for the KSE. Mr Arif Habib, president of the KSE, says "the market is affected by a confidence crisis since the budget". Ms Aaliya Dossa, an analyst at Crosby Securities' Karachi office, adds, "Here hasn't been anything positive since the budget. We really need to see something positive on the economy before buyers would come in large numbers."

Others say a slowdown in the privatisation programme has depressed sentiment, as many investors are convinced that the placement of new shares on the market may have helped attract buyers and revive the overall sentiment.

The government has so far given no sign of a schedule for the privatisation of the PTC, the country's telephone company.

Pessimism is also driven by political uncertainty. Mr Nawaz Sharif, leader of the opposition Pakistan Muslim League party, has said he is launching a civil disobedience movement to force the government to step down. The opposition would call upon its supporters to stop paying utility bills and taxes.

No one is certain whether the opposition would succeed. Mr Sharif's campaign would follow another protest launched by the religious "Jamaat-i-Islami" party after the budget, protesting against the government's economic policies and corruption. Even if the two campaigns do not force the government out, many Pakistanis are easily reminded of the country's inherent political instability. Pakistan has seen seven governments in eight years since the last military ruler, General Muhammad Zia-ul-Haq, was killed in an air crash.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	16/8/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (431)	156.83	-1.20	-0.76	-1.33	-0.84	+9.27	+6.28
Latin America							
Argentina (22)	91.01	-4.57	-4.78	-3.31	-3.51	-1.76	-1.90
Brazil (23)	241.54	+2.49	+1.04	-3.22	-1.31	+55.45	+29.80
Chile (16)	166.28	-4.21	-2.21	-9.85	-6.02	-9.39	-4.80
Colombia (14)	163.55	-7.28	-4.26	+0.25	+0.15	-0.70	-0.43
Mexico (24)	84.59	+2.59	+3.16	+9.34	+12.42	+11.00	+14.94
Peru(13)	1165.97	-16.02	-1.36	+17.01	+1.49	+97.02	+9.08
Latin America (112)	140.58	+0.17	+0.12	+1.88	+1.36	+17.43	+14.16
Europe							
Greece (18)	108.69	+0.75	+0.69	-1.84	-1.66	+10.72	+10.94
Portugal (20)	136.90	-0.25	-0.18	+2.57	+1.99	+20.44	+17.55
Turkey (25)	98.62	-4.23	-4.12	-10.25	-9.42	+15.82	+19.11
South Africa (30)	132.37	-3.03	-2.24	-5.27	-3.88	-21.01	-13.70
Europe (134)	116.19	-1.87	-1.58	-3.54	-2.80	-5.35	-4.40
Asia							
China (24)	45.76	+1.22	+2.74	+1.18	+2.65	+5.43	+13.45
Indonesia (31)	129.41	-3.01	-2.27	-10.79	-7.70	-9.23	-6.66
Korea (23)	107.73	-2.01	-1.83	-1.35	-1.24	-29.17	-21.31
Malaysia (23)	251.16	-1.16	-0.46	-3.85	-1.51	+23.79	+10.46
Pakistan (14)	75.84	-2.45	-3.12	-9.76	-11.40	+2.25	+3.06
Philippines (14)	316.64	+1.93	+0.61	-13.21	-4.01	+67.46	+22.18
Thailand (25)	203.57	-7.78	-3.67	-19.62	-8.79	-48.32	-19.18
Taiwan (31)	173.84	-1.59	-0.91	+8.83	+5.35	+43.01	+32.88
Asia (185)	212.74	-2.55	-1.19	-4.16	-1.92	+9.70	+4.78

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Samer Iskandar and Richard Adams

French 'storm in a tea cup' still brewing

In the midst of French financial market turmoil in the last few weeks, one London analyst confessed to having a "vague fear" that his French counterparts knew something he did not. He was right.

He and his colleagues did not know that some large and influential French institutions were reported to be selling domestic bonds, leading others to follow suit.

And few non-residents were familiar with the intricacies of likely tax changes in next year's budget, which might reduce French life assurance funds' appetite for 10-year bonds.

By the end of the week, news of the Bank of France's frequent, low-profile interventions in the market began to seep across the Channel.

In the meantime, politicians and central bankers were putting their mouths where the Bank of France's money was, to prop up the franc. A soothing statement by Mr Otmar Issing, Bundesbank chief economist, was closely followed by another from Mr Alain Juppé, the French prime minister, both designed to reassure the markets.

Mr Kirit Shah, chief market strategist at Sanwa International, said Mr Juppé and Mr Issing were attempting to "talk the markets up", a strategy previously "tried successfully by the US Federal Reserve".

But Mr Issing's and Mr Juppé's double act seemed too well timed to be pure coincidence. "If that were the case, it wouldn't surprise me," said one Paris-based analyst.

Coincidence or not, Mr Juppé brushed aside worries about the franc, describing the previous week's fall as "a storm in a tea cup".

The 10-year yield spread of OATs over bunds closed at around 6 basis points on Friday, slightly tighter than a few days earlier. The franc was also firmer on the foreign exchange market, at less than FFr3.42 against the D-Mark, having recovered from its four-month low in the region of FFr3.43 earlier in the week.

But analysts did not seem convinced that the French markets were out of the woods. And Mr Juppé's "storm in a tea-cup" could be brewing still.

"The respite is likely to prove short-lived," said one trader in Paris. "The foundations it rests on look wobbly."

Factors supporting the French markets late last week were a wide-ranging mixture including – in addition to central bank intervention and bullish political declarations – a rallying dollar that weakened the D-Mark's dominance, as well as technical trading.

"Profit-taking on divergence trades has helped [French bonds]," said Mr Shah at Sanwa, referring to traders who had sold French bonds in previous weeks when they were more expensive than bunds and decided to reverse their trades after OATs had cheapened.

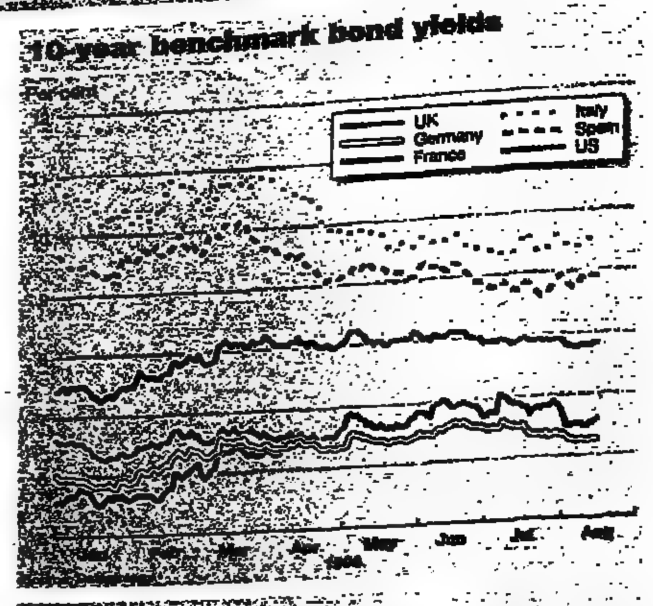
The support provided to French markets by a rallying US dollar could also wane soon. Having risen above DM1.49 last Friday, the US currency was approaching strong technical resistance. A further rise would undoubtedly be beneficial to the franc, but Mr Shah believes "the dollar will have a tough time breaking through DM1.50".

A cut in the German repo rate this week, which participants see as increasingly likely, could also relieve the pressure. But economists believe such a move would only have short-term effects.

"What the French market really needs is long-term solid economic evidence," said one senior economist. "It all boils down to the government reining in its budget deficit."

According to another analyst there are several "bad" explanations why the franc has been under pressure in the past two weeks, and one "good" reason.

The "bad" reasons have been repeatedly put forward to justify the franc's decline this month:

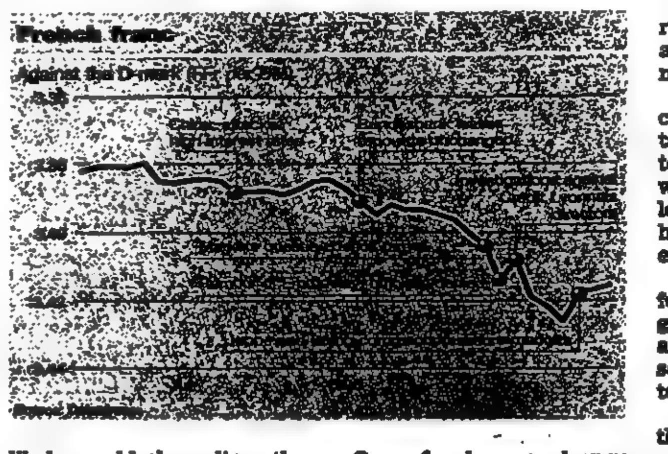


	US	Japan	Germany	France	Italy	UK
[illegible]	[illegible]	[illegible]	2.50	4.75	8.25	5.75
[illegible]	[illegible]	[illegible]	3.25	3.52	8.60	5.63
[illegible]	[illegible]	[illegible]	3.28	3.85	8.58	5.56
[illegible]	[illegible]	[illegible]	3.35	4.08	8.21	5.94
[illegible]	[illegible]	[illegible]	5.05	5.59	8.82	7.16
[illegible]	[illegible]	[illegible]	6.23	6.35	9.39	7.75

Source: Reuters.

■ The first of these came when Mr Chirac was seen to be keeping his distance from Mr Juppé, leading to rumours of a possible cabinet shuffle. The speculation, however, was dismissed by most observers and the rumours quietly died.

■ A second "bad" explanation was the presumed falling out between Mr Chirac and Mr Jean-Claude Trichet, governor of the Bank of France, over high interest rates.



One foreign exchange strategist observed: "Chirac is not stupid enough to blame the Bank of France ... And even if he did, now would be the worst possible time for a public set-to with Trichet. He may not like it, but he's stuck with Monsieur Trichet."

■ Third was the suggestion that Emu could be delayed on technical grounds, such as Target, its payment system, not being ready or the physical currency not being put in place on time. But with 2½ years to go before the Emu deadline, technical grounds may not yet be insurmountable.

■ Another thought that occupied the market was that the French authorities were quite happy to allow the franc to float downwards. One view was a conspiracy theory to press Germany to cut interest rates.

■ One reason also frequently cited is that the German economy has perked up, while the French economy is still in the doldrums. This view depends on how economic data from both countries are interpreted.

This leaves the one "good" reason for the franc's vulnerability: the French government's budget deficit.

To fulfil the Maastricht criteria for European monetary union, France will have to deliver a budget for 1997 with a deficit of 3 per cent or less of GDP, something that hasn't happened since the end of 1991.

As the September 18 date for the delivery of the budget draws nearer, the market appears to have got more sceptical of France's ability to reach this target.

"It is not obvious what they are going to do", said one London-based analyst, adding that meeting the 3 per cent target would require "creativity".

In the end, though, all discussions come back to the French government's ability to cut its budget deficit. In the process, it risks facing fierce opposition from the unions, which could send the franc into free-fall and, ultimately, delay Emu.

"All of this was not a problem 12 months ago," said Mr Nick Parsons, an analyst at Paribas Capital Markets. "Now, the one thing they can't control is time, and this is making the markets uncertain."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Bayerische Landesbank	500	Aug 2001	6.375	99.69R	6.452	+14(6⅞%-01)	CSFB/JP Morgan Secs
Spintab‡	300	May 1998	(b,a)	100.025	-	-	Salomon Brothers Intl
Republic of Lithuania(k)	30	Dec 1997	10.00	101.31			Nomura International
BGB Finance Ireland	650	Sep 2001	5.50	99.555R	6.592	+22(6⅝%-01)	Morgan Stanley/UBS
World Bank	1bn	Aug 2006	6.625	99.1958	6.737	+16(7%-06)	Merrill/SBC Warburg
Fed Home Loan Mtg Corp(f)	250	May 2006	6.75	99.516	6.780	-	Nomura International
D-MARKS							
LKS No 1(b)	4bn	Aug 2005	6.25	[illegible]	6.392	-	(c)
Republic of Turkey	500	Sep 2005	8.00	[illegible]	8.049	[illegible]	Commerzbank
United Mexican States(a)	1bn	Sep 2004	(d)	99.80R	8.175	[illegible]	Dresdner KB
Hellenic Republic‡	125	Aug 2003	(i)	100.00	-	-	DG(Deutschland)
YEN							
Crédit Local de France(j)★	20bn	Aug 2006	4.26	100.40	-	-	IBJ
SWISS FRANCS							
City of Vienna★	110	Oct 1999	3.50	101.75	2.893	-	von Ernst/SBC Warburg
[illegible]	100	Dec 1999	3.25	101.50	[illegible]	-	Credit Suisse
Toyota Motor Credit Corp(f)	[illegible]	[illegible]	[illegible]	[illegible]		-	UBS
Dresdner Finance	150	Oct 2006	4.50	102.65	4.170	-	SBC Warburg
GUILDERS							
KfW International Finance(g,a)	200	Dec 2000	5.00	99.88R	5.04	-3(6¼%-00)	SBC Warburg
ING Bank	500	Sep 2006	6.375	[illegible]	6.491	+23(l)	ING Barings
LUXEMBOURG FRANCS							
International Finance Corp	2bn	Oct 2006	(k)	102.75	6.16	-	BIL/Kredietbank Lux
AUSTRALIAN DOLLARS							
SBAB★	130	Sep 1999	6.80(j)	98.85	-	-	Yamaichi Intl(Europe)
Dresdner Australia	100	Sep 1999	7.00	100.50	6.810	-	Dresdner KB
NEW ZEALAND DOLLARS							
KfW International Finance	100	Sep 2001	8.00	100.70	7.825	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. #With equity warrants. ★Unlisted. ¶Semi-annual coupon and yield. R: fixed re-offer price. a) Jointly issued by German states: Berlin, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Saxony-Anhalt and Schleswig-Holstein. a1) Joint bookrunners: ABN Amro, Commerzbank, DG Bank, Dresdner, Deutsche, LB Hessen-Thuringen, Paribas, UBS, HSBC Trinkaus and WestLB. b) 3-mth Libor flat. c) Fungible with $80m. Plus 243 days accrued. Long last coupon. d) 5% to 9/10/00, then 7% to 9/10/03, then 8¼%. e) Fungible with SFr350m. Plus 214 days accrued. f) Fungible with $300m. Plus 75 days accrued. g) Puttable on 10/9/01 at par. g1) 5⅞% to 10/9/01, then 10⅞%. h) Fungible with Fl 300m. Plus 66 days accrued. i) Over interpolated yield. j) Coupon paid in A$. k) 6-mth Libor +55bp. l) Short 1st coupon. Note: Yields calculated on ISMA basis.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2723	+0.0621	658 - 787	16.2808	16.2092	16.2411	2.3	16.1861	2.8	-	-	105.2
Belgium	(BFr)	47.6412	+0.1618	010 - 814	47.6940	47.4560	47.5462	2.4	47.3562	2.4	[illegible]	[illegible]	107.1
Denmark	(DKr)	8.8407	+0.0317	366 - 447	8.8489	8.8096	8.8269	1.8	8.8066	1.5	8.7988	1.6	107.7
Finland	(FM)	6.9345	+0.0124	278 - 413	6.9413	6.8870	6.9301	0.8	6.922	0.7	-	-	85.9
France	(FFr)	7.9002	+0.0295	963 - 041	7.9064	7.8672	7.888	1.9	7.8652	1.8	7.7718	1.8	106.7
Germany	(DM)	2.3124	+0.0088	116 - 131	2.3145	2.3026	2.3079	2.3	2.2989	2.3	2.2601	2.3	109.1
Greece	(Dr)	368.944	+0.614	796 - 093	369.366	366.653	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9638	-0.0019	632 - 643	[illegible]	[illegible]	0.9633	0.6	0.9621	0.7	0.9576	0.6	99.6
Italy	(L)	2362.87	+4.87	126 - 449	2356.04	2346.70	2368.42	[illegible]	2368.27	-2.6	2400.77	-2.0	76.5
Luxembourg	(LFr)	47.6412	+0.1618	010 - 814	47.6940	47.4560	47.5462	2.4	47.3562	2.4	46.5712	2.2	107.1
Netherlands	(Fl)	2.5938	+0.0093	927 - 948	2.5976	2.5861	2.5877	2.8	2.5757	2.8	2.528	2.5	107.2
Norway	(NKr)	9.9867	+0.0387	789 - 944	9.9944	9.9442	9.9782	1.0	9.9612	1.0	9.8777	1.1	98.4
Portugal	(Es)	236.967	+0.655	844 - 091	237.091	236.347	237.392	-2.2	238.297	-2.2	-	-	95.7
Spain	(Pta)	195.810	+0.322	234 - 387	195.536	195.020	195.57	-1.6	196.085	-1.6	197.485	-1.1	80.8
Sweden	(SKr)	10.2819	-0.002	725 - 912	10.2957	10.2616	10.2822	0.0	10.2823	0.0	10.2803	0.0	89.0
Switzerland	(SFr)	1.8761	+0.007	749 - 772	1.8772	1.8659	1.8711	3.2	1.8603	3.4	1.8121	3.4	113.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.0
Ecu	-	1.2273	+0.0043	267 - 279	1.2279	1.2233	1.226	1.3	1.223	1.4	1.2097	1.4	-
SDR†	-	1.084800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5462	-0.0023	457 - 466	1.5512	1.5457	-	-	-	-	-	-	-
Brazil	(R$)	1.5686	-0.0017	681 - 690	1.5707	1.5679	-	-	-	-	-	-	-
Canada	(C$)	2.1264	-0.0067	256 - 272	2.1320	2.1256	2.1267	0.4	2.122	0.8	2.1139	0.6	83.8
Mexico	(New Peso)	11.5813	-0.0645	713 - 913	11.6285	11.5713	-	-	-	-	-	-	-
USA	($)	1.5483	-0.0023	480 - 486	1.5515	1.5480	1.5478	0.4	1.5472	0.3	1.5478	0.0	96.3
Pacific/Middle East/Africa													
Australia	(A$)	1.9745	-0.0113	735 - 755	1.9827	1.9735	1.977	-1.8	1.9821	-1.5	2.0073	-1.7	92.0
Hong Kong	(HK$)	11.9750	-0.0178	719 - 781	11.9874	11.9719	11.9669	0.6	11.9553	0.7	11.9365	0.3	-
India	(Rs)	55.1196	-0.0819	992 - 399	55.4399	54.7962	-	-	-	-	-	-	-
Israel	(Shk)	4.8803	-0.0151	779 - 827	4.8934	4.8758	-	-	-	-	-	-	-
Japan	(Y)	167.046	-0.303	952 - 140	167.270	166.700	166.321	5.2	164.631	5.3	159.416	5.2	134.7
Malaysia	(M$)	3.8818	-0.0012	602 - 633	3.8671	3.8588	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2464	-0.0092	448 - 479	2.2518	2.2438	2.2514	-2.7	2.2609	-2.6	2.2947	-2.2	107.8
Philippines	(Peso)	40.5578	-0.0602	957 - 198	40.6198	40.4957	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8071	-0.0086	056 - 085	5.8187	5.8056	-	-	-	-	-	-	-
Singapore	(S$)	2.1811	-0.0084	798 - 823	2.1904	2.1798	-	-	-	-	-	-	-
South Africa	(R)	7.0487	-0.0259	434 - 539	7.0842	7.0339	-	-	-	-	-	-	-
South Korea	(Won)	1269.68	-3.83	936 - 001	1276.67	1269.36	-	-	-	-	-	-	-
Taiwan	(T$)	42.5512	-0.0671	390 - 633	42.6352	42.5390	-	-	-	-	-	-	-
Thailand	(Bt)	39.1534	-0.0675	381 - 687	39.2340	39.1381	-	-	-	-	-	-	-

† Rates for Aug 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5098	+0.0557	078 - 119	10.5100	10.4530	10.4903	2.2	10.4483	2.3	10.2948	2.3	105.2
Belgium	(BFr)	30.7700	+0.15	500 - 900	30.7900	30.6050	30.715	2.1	30.6	2.2	30.06	2.3	106.9
Denmark	(DKr)	5.7745	+0.029	730 - 760	5.7760	5.7445	5.767	1.6	5.75	1.7	5.681	1.6	107.2
Finland	(FM)	4.4788	+0.0147	752 - 825	4.4823	4.4460	4.4723	1.7	4.4603	1.7	4.4148	1.4	85.3
France	(FFr)	5.1025	+0.0266	010 - 040	5.1040	5.0755	5.0958	1.6	5.0813	1.7	5.0135	1.7	108.3
Germany	(DM)	1.4935	+0.0079	933 - 937	1.4937	1.4845	1.491	2.0	1.4852	2.2	1.457	2.4	108.7
Greece	(Dr)	238.290	+0.75	240 - 340	238.340	236.550	239.965	-8.4	243.315	-8.4	257.29	-8.0	66.6
Ireland	(I£)	1.6066	+0.0008	060 - 071	1.6095	1.6023	1.6072	-0.4	1.608	-0.4	1.5996	0.4	-
Italy	(L)	1519.85	+5.4	690 - 040	1520.91	1514.50	1524.4	-3.8	1532.55	-3.4	1555.3	-2.3	78.0
Luxembourg	(LFr)	30.7700	+0.15	500 - 900	30.7900	30.6050	30.717	2.1	30.6105	2.1	30.13	2.1	106.9
Netherlands	(Fl)	1.6753	+0.0085	748 - 758	1.6775	1.6658	1.672	2.4	1.6648	2.5	1.6331	2.5	106.8
Norway	(NKr)	6.4501	+0.0346	463 - 538	6.4538	6.4132	6.4471	0.5	6.4416	0.5	6.4051	0.7	97.8
Portugal	(Es)	153.050	+0.65	000 - 100	153.100	152.590	153.365	-2.5	153.955	-2.4	156.1	-2.0	95.6
Spain	(Pta)	126.145	+0.395	120 - 170	126.170	125.830	126.395	-2.4	126.825	-2.2	128.365	-1.8	80.4
Sweden	(SKr)	6.6408	+0.0085	380 - 455	6.6496	6.6185	6.6399	0.2	6.6422	-0.1	6.6173	0.4	[illegible]
Switzerland	(SFr)	1.2117	+0.0068	112 - 122	1.2125	1.2040	1.2082	3.5	1.2007	3.6	1.1672	3.7	112.8
UK	(£)	1.5483	-0.0023	480 - 486	1.5515	1.5480	1.5478	0.4	1.5472	0.3	1.5478	0.0	84.5
Ecu	-	1.2616	-0.0084	612 - 619	1.2677	1.2519	1.2624	-0.7	1.264	-0.8	1.2729	-0.9	-
SDR†	-	0.69720	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	1.0002	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0131	+0.0004	130 - 132	1.0132	1.0130	-	-	-	-	-	-	-
Canada	(C$)	1.3734	-0.0035	731 - 736	1.3745	1.3727	1.3732	0.1	1.3735	0.0	1.3763	-0.2	82.7
Mexico	(New Peso)	7.4800	-0.0305	750 - 850	7.4850	7.4750	7.6415	-25.9	7.8265	-18.5	9.59	-28.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2752	-0.0054	749 - 757	1.2757	1.2749	1.2772	-1.9	1.2807	-1.7	1.2994	-1.9	93.0
Hong Kong	(HK$)	7.7343	-	338 - 348	7.7350	7.7338	7.735	-0.1	7.7368	-0.1	7.7638	-0.4	-
India	(Rs)	35.8000	-	000 - 000	35.8000	35.4000	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1521	-0.005	511 - 530	3.1571	3.1466	-	-	-	-	-	-	-
Japan	(Y)	107.890	-0.035	830 - 930	107.930	107.600	107.445	4.9	106.545	5.0	102.905	4.7	134.9
Malaysia	(M$)	2.4942	+0.0025	937 - 947	2.4947	2.4901	2.4951	-0.4	2.5012	-1.1	2.5247	-1.2	-
New Zealand	(NZ$)	1.4507	-0.0038	501 - 516	1.4516	1.4501	1.4538	-2.6	1.4596	-2.5	1.4842	-2.3	-
Philippines	(Peso)	26.1950	-	600 - 300	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 508	3.7508	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4087	-0.0033	082 - 092	1.4122	1.4070	1.4052	3.0	1.3992	2.7	1.3737	2.5	-
South Africa	(R)	4.5525	-0.01	500 - 550	4.5700	4.5380	4.6	-12.5	4.69	-12.1	5.0275	-10.4	-
South Korea	(Won)	820.050	-1.25	000 - 100	823.500	820.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.4825	-0.0025	800 - 850	27.4850	27.4750	27.4875	-0.2	27.4925	-0.1	-	-	-
Thailand	(Bt)	25.2880	-0.006	830 - 930	25.2930	25.2800	25.3867	-4.7	25.5805	-4.8	26.473	-4.7	-

† SDR rate per $ for Aug 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 15: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3[illegible]	[illegible]	3[illegible]	3¾	7.00	2.50	-
week ago	3¼	3[illegible]	3[illegible]	3[illegible]	3¾	7.00	2.50	-
France	3[illegible]	3[illegible]	3[illegible]	3[illegible]	4[illegible]	3.55	-	4.75
week ago	3[illegible]	3[illegible]	3[illegible]	4[illegible]	4[illegible]	3.55	-	4.75
Germany	3[illegible]	3[illegible]	3[illegible]	3[illegible]	3[illegible]	4.50	2.50	3.30
week ago	3[illegible]	3[illegible]	3¾	3[illegible]	3[illegible]	4.50	2.50	3.30
Ireland	5½	5[illegible]	5[illegible]	5[illegible]	6[illegible]	-	-	6.25
week ago	5[illegible]	5[illegible]	5[illegible]	5[illegible]	6¼	-	-	6.25
Italy	8[illegible]	8¾	8[illegible]	8½	8[illegible]	-	8.25	9.03
week ago	8¾	8¾	8[illegible]	8[illegible]	8½	-	8.25	8.88
Netherlands	2¾	3	3¼	3[illegible]	3[illegible]	-	3.00	3.30
week ago	2[illegible]	3	3[illegible]	3[illegible]	3¼	-	3.00	3.30
Switzerland	2[illegible]	2[illegible]	2¼	2¼	2½	5.00	1.50	-
week ago	1[illegible]	2[illegible]	2¼	2¼	2[illegible]	5.00	1.50	-
US	5[illegible]	5[illegible]	5½	5[illegible]	5[illegible]	-	5.00	-
week ago	5[illegible]	5[illegible]	5[illegible]	5[illegible]	5[illegible]	-	5.00	-
Japan	[illegible]	½	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	½	½	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5½	5[illegible]	5[illegible]	-	-	-
week ago	-	5[illegible]	5[illegible]	5[illegible]	5¾	-	-	-
US Dollar CDs	-	5.09	5.17	5.27	5.50	-	-	-
week ago	-	5.09	5.17	5.26	5.49	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4[illegible]	4[illegible]	-	-	-
week ago	-	4[illegible]	4¾	4[illegible]	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3[illegible]	3[illegible]	3[illegible]	-	-	-
week ago	-	2[illegible]	3¾	3[illegible]	3¾	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	4[illegible] - 4	[illegible]	[illegible]	4 - 3[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	3 - 2¾	3 - 2¾	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	7 - 6[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	7½ - 7[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	9 - 8[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3[illegible] - 3	3[illegible] - 3	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.43	94.43	-	94.44	94.43	38,937	378,484
Dec	94.17	94.21	+0.04	94.22	94.17	75,034	483,718
Mar	94.05	94.11	+0.05	94.12	94.05	69,356	298,642

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.93	94.94	+0.02	94.95	94.93	380	7,342
Dec	94.79	94.80	+0.03	94.81	94.79	116	1,601
Mar	94.69	94.70	+0.05	94.70	94.69	62	723

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.77	16.58	4.853	2.024	4939	5.445	20.96	497.3	409.9	21.58	3.938	2.099	4.463	3.249	350.5	2.576
Denmark	(DKr)	53.28	10	8.836	2.586	1.079	2632	2.901	11.17	265.0	218.4	11.50	2.098	1.118	2.378	1.731	186.8	1.372
France	(FFr)	60.30	11.32	10	2.927	1.220	2978	3.284	12.64	299.9	247.2	13.01	2.375	1.266	2.691	1.959	211.4	1.553
Germany	(DM)	20.61	3.867	3.417	1	0.417	1018	1.122	4.319	102.5	84.47	4.446	0.811	0.433	0.920	0.670	72.23	0.531
Ireland	(I£)	49.42	9.275	8.195	2.398	1	2441	2.691	10.36	245.7	202.6	10.66	1.946	1.037	2.205	1.606	173.2	1.273
Italy	(L)	2.025	0.380	0.336	0.098	0.041	100.	0.110	0.424	10.07	8.300	0.437	0.080	0.042	0.090	0.066	7.097	0.052
Netherlands	(Fl)	18.37	3.447	3.045	0.891	0.372	907.1	1	3.850	91.33	75.29	3.963	0.723	0.386	0.820	0.597	64.38	0.473
Norway	(NKr)	47.71	8.954	7.911	2.316	0.966	2356	2.598	10	237.2	195.6	10.29	1.879	1.001	2.129	1.550	167.2	1.229
Portugal	(Es)	20.11	3.774	3.335	0.976	0.407	993.2	1.095	4.215	100.	82.44	4.339	0.792	0.422	0.897	0.653	70.49	0.518
Spain	(Pta)	24.39	4.578	4.045	1.184	0.494	1205	1.328	5.113	121.3	100.	5.264	0.961	0.512	1.089	0.793	85.51	0.628
Sweden	(SKr)	46.34	8.697	7.685	2.249	0.938	2289	2.523	9.714	230.4	190.0	10	1.825	0.973	2.068	1.506	162.5	1.194
Switzerland	(SFr)	25.39	4.766	4.211	1.232	0.514	1254	1.383	5.323	126.3	104.1	5.480	1	0.533	1.133	0.825	89.02	0.654
UK	(£)	47.64	8.941	7.900	2.312	0.964	2353	2.594	9.986	236.9	195.3	10.28	1.876	1	2.126	1.548	167.0	1.227
Canada	(C$)	22.41	4.206	3.716	1.087	0.453	1107	1.220	4.697	111.4	91.86	4.835	0.882	0.470	1	0.728	78.55	0.577
US	($)	30.78	5.776	5.103	1.494	0.623	1520	1.676	6.451	153.0	126.2	6.641	1.212	0.646	1.373	1	107.9	0.793
Japan	(Y)	28.53	5.354	4.731	1.384	0.577	1409	1.553	5.980	141.9	116.9	6.156	1.123	0.599	1.273	0.927	100.	0.735
Ecu		38.83	7.287	6.438	1.884	0.786	1918	2.114	8.139	193.1	159.2	8.378	1.529	0.815	1.733	1.262	136.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett Price	Change	High	Low	Est.vol	Open int.
Sep	0.6740	0.6715	-0.0022	0.6746	0.6701	16,142	67,646
Dec	0.6755	0.6753	-0.0022	0.6760	0.6739	509	4,259
Mar	0.6780	0.6795	-0.0022	0.6780	0.6780	212	844

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett Price	Change	High	Low	Est.vol	Open int.
Sep	0.8316	0.8297	-0.0012	0.8335	0.8267	11,382	36,399
Dec	0.8363	0.8362	-0.0013	0.8365	0.8334	642	2,455
Mar	0.8406	0.8432	-0.0013	0.8430	0.8404	295	594

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.9300	0.9321	+0.0023	0.9330	0.9296	6,247	61,871
Dec	0.9425	0.9438	+0.0024	0.9438	0.9413	198	6,342
Mar	-	0.9556	+0.0026	0.9550	-	30	162

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5508	1.5470	-0.0034	1.5508	1.5450	4,768	47,603
Dec	1.5482	1.5460	-0.0034	1.5460	1.5440	29	1,260
Mar	-	1.5458	-0.0034	-	1.5440	3	9

■ Pound in New York

Aug 16	— Close —	— Prev. close —
£ spot	1.5480	1.5515
1 mth	1.5475	1.5511
3 mth	1.5470	1.5504
1 yr	1.5480	1.5490

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.530	1.72	1.92	2.24	-	0.17	0.62
1.540	0.72	1.19	1.59	-	0.44	0.98
1.550	-	0.64	1.06	0.19	0.90	1.34
1.560	-	0.28	0.66	1.12	1.54	1.94
1.570	-	0.08	0.38	-	2.34	-

Previous day's vol., Calls 3,492 Puts 1,689. Prev. day's open int., Calls 172,177 Puts 159,746

UK INTEREST RATES

LONDON MONEY RATES

Aug 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	6 - 5[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	5¼ - 5¼	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 16, 5.5649pc. ECGD fixed rate Stlg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 6.811pc. Finance House Base Rate 6pc from Aug 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 16	Aug 9		Aug 16	Aug 9
Bills on offer	£600m	£600m	Top accepted rate	5.5752%	5.5953%
Total of applications	£2604m	£1802m	Ave. rate of discount	5.5649%	5.5660%
Total allocated	£600m	£600m	Average yield	5.6431%	5.6443%
Min. accepted bid	£98.610	£98.608	Offer at next tender	£600m	£600m
Allotment at min. level	40%	8%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday August 14th, 1996 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	860,113,412	-260,050,380
Bankers deposits	1,886,006,087	-80,674,068
Reserve and other accounts	3,191,770,229	-89,311,407
	6,072,442,728	-430,085,855
Assets		
Government securities	1,540,011,399	-249,615,001
Advance and other accounts	2,767,859,026	+376,742,290
Premise, equipment and other secs	1,758,896,414	-555,518,035
Notes	5,956,318	-1,458,673
Coin	117,589	-16,436
	6,072,442,728	-430,085,855
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,874,043,682	-18,541,327
Notes in Banking Department	5,956,318	-1,458,673
	20,880,000,000	-20,000,000
Assets		
Other Government securities	13,170,246,120	+1,338,525,571
Other Securities	7,709,753,880	-1,358,525,571
	20,880,000,000	-20,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Smith & Williamson Secs	5.75
Bank of Baroda	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Western Trust	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75	* In administration	
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		

FT GOLD MINES INDEX

	Aug 16	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1981.71	+3.5	61.27	100.00	1.89	-	2520.73	1722.88
■ Regional indices								
Africa (13)	2963.41	+2.4	13.72	26.77	3.10	38.29	3653.88	2272.74
Australasia (7)	2380.44	+0.5	6.45	12.56	2.42	22.45	2927.34	2123.50
North America (11)	1762.99	-4.7	31.09	60.66	0.75	63.86	2186.39	1468.94

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	16.9	79	67	†AND Intl	79	+2	-	-	-	47.3
§60	F.P.	7.95	58	38	†Allzyme	45	-	-	-	-	-
*	F.P.	898.7	£20[illegible]	£19[illegible]	Alumax	£19[illegible]	+[illegible]	-	-	-	-
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100	-	-	-	-	-
-	F.P.	12.7	68	65	†Barbican Hlthcre	66	-	-	-	-	-
§110	F.P.	10.1	148	120	†Chemical Design	148	-	-	-	-	-
*	F.P.	3.17	4	4	†Dentmaster Hldgs	4	-	-	-	-	-
§3	F.P.	3.07	4	4	†Drings of Bath	4	-	-	-	-	-
§	F.P.	87.8	677¾	676½	Egypt Trust	677¾	-	-	-	-	-
§145	F.P.	41.5	218	145	†Elec Retail Sys	[illegible]	-3	-	-	-	-
§	F.P.	2.82	53	41	†Fayrewood	48	-	-	-	-	-
§	F.P.	19.0	63	61	†Gail Thomson Env	61	-	W-	-	-	8.7
163	F.P.	22.6	202	189	†HIT Entm	202	-	-	-	-	65.8
§65	F.P.	18.2	65	65	Hambros Sm Asn C	65	-	-	-	-	-
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	97	-	-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12	-	-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5	-	-	-	-	-
-	F.P.	4.42	14½	13	†Lon & Edinburgh	14½	-	b0.25	5.6	2.2	11.0
§	F.P.	0.25	1½	1	†Lotteryking Wts	1½	-	-	-	-	-
-	F.P.	0.38	2	1½	†Pordum Foods Wts	1¾	-	-	-	-	-
§149	F.P.	19.3	165	151	†SCI Ent	165	-	-	-	-	11.6
§100	F.P.	79.6	96	90½	Schroder Em Ctrs	91¼	-	-	-	-	-
§	F.P.	6.26	37	31	Schroder Em Wts	36	-	-	-	-	-
-	F.P.	40.8	372	343	Schroder Em Ct C	371	+1	-	-	-	-
§66	F.P.	13.3	70	66	†Selector	68	-	-	-	-	-
145	F.P.	471.0	163	158	Somerfield	157	-	W9.0	2.5	7.2	7.0
-	F.P.	5.02	130	120	†West 175 Entm	130	+6	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	1996 Low	Stock	Closing price p	+or-
-	Nil	11/8	78pm	38pm	Cairn Energy	35pm	
40	Nil	29/8	10pm	4pm	Ivernia West Uts	4pm	
86	Nil	28/8	3pm	2pm	Jerome (S)	2pm	
250	Nil	18/8	12pm	10pm	Lorien	12pm	
250	Nil	30/8	65pm	51pm	Scottish Power	62pm	+1
125	Nil	28/8	14pm	12pm	Shaftesbury	14pm	+1

pm premium.

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 2pc 1996		220[illegible]	0.1	1,200	Mr16 Se16	7.3	1313
Conversion 10pc 1996		100[illegible]	—	3,409	My15 Nv15	3.5	1240
Treas 13¼pc 1997‡‡		103[illegible]	—	1,280	Jy22 Ja22	11.7	1302
Exch 10½pc 1997		102[illegible]xd	—	3,700	Au21 Fe21	12.8	1253
Treas Cnv 7pc 1997‡‡		101[illegible]	0.1	1,988	Fe6 Au6	26.7	4491
Treas 8¾pc 1997‡‡		102[illegible]	0.1	5,650	Mr1 Se1	21.2	1341
Exch 15pc 1997		110[illegible]	-.1	830	Oc27 Oc27	18.4	1269
Exch 9¾pc 1998		104[illegible]	—	3,550	Jy19 Ja19	10.7	1273
Treas 7¼pc 1998‡‡		101[illegible]	0.1	8,150	Se30 Mr30	21.3	1788
Treas 6¾pc 1995-98‡‡		100[illegible]	—	1,209	Nv1 My1	22.4	1331
Treas 15½pc '98‡‡		117[illegible]	-.1	[illegible]	[illegible]	21.3	1308
Exch 12pc 1998		111[illegible]	0.1	3,809	My20 Nv20	9.6	1259
Treas 9½pc 1999‡‡		106[illegible]	0.1	1,900	Jy15 Ja15	4.7	1347
Treas Flg Rate 1999		99[illegible]	—	5,700	MrJnSeDe	31.5	4945
Exch 12¼pc 1999		113[illegible]	0.1	3,050	Se26 Mr26	15.3	1264
Treas 10½pc 1999		109[illegible]	0.1	1,252	Nv19 My19	9.5	1296
Treas 6pc 1999‡‡		98[illegible]	0.2	6,950	Fe10 Au10	1.8	3635
Conversion 10¼pc 1999		109[illegible]	0.1	1,798	My22 Nv22	13.5	1242
Conv 9pc 2000‡‡		106[illegible]	0.1	5,358	Se3 Mr3	22.2	1244
Treas 13pc 2000		120[illegible]	0.1	3,171	Ja14 Jy14	4.7	1288
Treas 14pc 1998-1		112[illegible]		970	Nv22 My22	13.5	1305
Treas 8pc 2000‡‡		103[illegible]	0.2	9,600	Ja7 De7	28.5	4948
Treas Flg Rate 2001		99[illegible]	—	3,000	-	-	-
Treas 10pc 2001		110[illegible]xd	0.2	4,406	Au26 Fe26	15.6	1280
Five to Fifteen Years							
Treas 7pc 2001‡‡		99[illegible]	0.3	10,750	My6 Nv6	28.4	3031
Treas 9¾pc 2002		111½xd	0.2	6,527	Fe27 Au27	15.8	1349
Treas 8pc 2003‡‡		103[illegible]	0.3	8,600	Ja10 Jy10	30.5	2010
Treas 10pc 2003		113[illegible]	0.2	2,503	Mr8 Se8	28.2	1281
Treas 11½pc 2001-4		119[illegible]	0.2	1,620	Se19 Mr19	8.3	1290
Funding 3½pc 1999-4		81[illegible]	0.2	543	Ja14 Jy14	4.7	1274
Conversion 9½pc 2004		111[illegible]	0.2	3,412	Oc25 Oc25	16.4	1246
Treas 6¾pc 2004‡‡		94[illegible]	0.2	6,500	My26 Nv26	16.5	3541
Conv 9½pc 2005		111[illegible]	0.2	4,842	Oc18 Ap18	8.4	1247
Treas 12½pc 2003-5		127	0.2	2,200	My21 Nv21	10.5	1295
Treas 8½pc 2005‡‡		105¾	0.2	8,900	Ja7 De7	29.5	4946
Treas 7½pc 2006‡‡		98[illegible]	0.3	9,000	Ja7 De7	29.5	1148
Treas 7¾pc 2006‡‡		99¾	0.3	3,900	Mr8 Se8	28.2	2300
Treas 8pc 2002-6‡‡		101[illegible]	0.2	2,000	Ap5 Oc5	27.3	1334
Treas 11¾pc 2003-7		121[illegible]	0.2	3,150	Jy22 Ja22	11.7	1293
Treas 8½pc 2007‡‡		104[illegible]	0.2	7,397	Ja16 Jy16	5.7	1339
Treas 13½pc 2004-8		139[illegible]	0.3	1,250	Se26 Mr26	15.3	1301
Treas 9pc 2008‡‡		108[illegible]	0.3	5,621	Ap13 Oc13	24.1	1363
Treas 8pc 2009		100[illegible]	0.3	3,450	My25 Se25	14.3	1336
Treas 6 1/4pc 2010‡‡		85[illegible]	0.2	4,750	Mr25 Nv25	16.5	4632
Conv 9pc Ln 2011‡‡		106[illegible]	0.3	5,273	Jy12 Jy12	3.7	1345
Over Fifteen Years							
Treas 9pc 2012‡‡		108[illegible]	0.2	5,360	Fe6 Au6	28.7	1701
Treas 5½pc 2008-12‡‡		79[illegible]	0.5	1,000	Mr10 Se10	11.3	1330
Treas 8pc 2013‡‡		99[illegible]	0.3	6,100	Mr27 Se27	18.3	2229
Treas 7¾pc 2012-15‡‡		97[illegible]	[illegible]	800	Jy26 Ja26	17.7	1332
Treas 8pc 2015‡‡		99[illegible]	0.3	9,500	Ja7 De7	28.5	4992
Treas 8¾pc 2017‡‡		106[illegible]xd	0.4	7,550	Fe25 Au25	15.8	1982
Exch 12pc 2013-17		135[illegible]	0.5	1,000	Ja12 De12	3.6	1260
Treas 8pc 2021‡‡		99[illegible]	0.3	8,000	Ja7 De7	29.5	-
Undated							
Consols 4pc		48[illegible]	0.9	359	Ja1 Au1	23.7	1239
War Loan 3½pc‡‡		[illegible]	1.5	1,909	Jy1 De1	17.5	1362
Conv 3½pc '61 Aft.		59[illegible]	—	115	Oc1 Oc1	21.3	1243
Treas 3pc '66 Aft.		36[illegible]	1.4	58	Ap5 Oc5	27.3	1324
Consols 2½pc		30[illegible]	0.4	276	5OcApJyOc	26.6	1238
Treas. 2½pc		30[illegible]	-1.2	475	Ap1 Oc1	21.3	1315
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	113[illegible]	0.1	800	Ap27 Oc27	18.4	1758
2½pc '01	(78.3)	182[illegible]	0.2	1,850	Mr24 Se24	14.3	1316
2½pc '03	(78.8)	177[illegible]	0.2	1,800	My20 Nv20	9.5	1317
4⅜pc '04‡‡	(135.6)	116[illegible]	0.2	1,150	Ap21 Oc21	11.4	1255
2pc '06	(69.5)	186[illegible]	0.2	2,100	Ja19 Jy19	10.7	1314
2½pc '09	(78.8)	167	[illegible]	[illegible]	My20 Nv20	9.5	1318
2½pc '11	(74.6)	172[illegible]xd	0.2	2,700	Fe23 Au23	14.8	1319
2½pc '13	(89.2)	141[illegible]xd	0.2	3,050	Fe16 Au16	7.8	1320
2½pc '16	(81.6)	150[illegible]	0.2	3,150	Ja26 Jy26	17.7	1321
2½pc '20	(83.0)	144[illegible]	0.2	3,150	Ap16 Oc16	3.4	1322
2½pc '24‡‡	(97.7)	119[illegible]	0.2	3,050	Ja17 Jy17	8.7	1323
4⅛pc '30‡‡	(135.1)	117[illegible]	0.1	1,300	Ja16 Jy22	11.7	1134

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for December 1995: 150.7 and for July 1996: 152.4.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009		115[illegible]	1.1	100	Mr24 Se24	3'95	-
B'ham 11½pc 2012		124[illegible]	1.0	45	My15 Nv15	13.10	1837
Ireland Cap 8½pc '10		105[illegible]	—	303	Ap1 Oc1	-	1465
9pc Cap 1996		104	—	725	Ja30 Jy30	-	-
13pc '97-2		110[illegible]	—	315	Ap1 Oc1	8'93	1426
Hydro Quebec 15pc 2011		148[illegible]	1.0	40	My31 Nv30	10'93	-
Leeds 13½pc 2006		132[illegible]	0.8	40	Ap1 Oc1	8.9	3146
Liverpool 3½pc Irred		39½	—	5	[illegible]	1.9	-
LCC 3pc '20 Aft		33[illegible]	0.8	[illegible]	[illegible]	1'95	-
Manchester 11½pc 2007		121[illegible]	1.0	8	[illegible]	25.9	3275
Met. Wtr. 3pc 'B'		77	1.3	25	Mr1 Se1	8'95	3361
N'wide Anglia 3⅞pc 2021		140½	1.1	60	Ja30 Jy30	8'95	3495
4⅛pc IL 2024		134[illegible]	0.7	50	Au23 Fe23	7'95	-
Utd Mex States 16½pc 2008		135	1.9	50	Mr1 Se1	8'93	-

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	1996 High	1996 Low	Since comp. High	Since comp. Low
FT-SE 100	3872.60	3837.40	3830.30	3823.40	3803.30	3872.60	3632.30	3872.60	986.90
FT-SE Mid 250	4365.40	4356.00	4351.90	4346.10	4331.90	4598.60	4015.30	4598.60	1379.40
FT-SE Mid 250 ex ITs	4400.60	4390.80	4387.40	4380.20	4365.60	4607.40	4024.40	4607.40	1378.30
FT-SE-A 350	1935.70	1920.80	1917.60	1914.30	1905.10	1945.40	1818.80	1945.40	664.50
FT-SE SmallCap	2136.18	2130.69	2127.28	2126.19	2122.93	2244.36	1954.06	2244.36	1363.79
FT-SE SmallCap ex ITs	2128.89	2123.67	2120.12	2118.26	2115.35	2246.94	1931.83	2246.94	1363.79
FT-SE-A All-Share	1911.65	1897.81	1894.65	1891.62	1882.55	1924.17	1791.95	1924.17	61.92
FT-SE-A Fledgling	1231.37	1228.47	1226.89	1226.74	1226.09	1279.05	1108.94	1279.05	940.00
FT-SE Eurotrack 100	1640.44	1643.79	1639.92	1637.82	1633.83	1709.78	1504.40	1709.78	900.45
FT-SE Eurotrack 200	1717.75	1707.83	1704.40	1701.88	1698.76	1743.59	1584.49	1743.59	938.62
FT Ordinary	2824.50	2801.90	2800.00	2796.20	2794.30	2865.20	2666.80	2865.20	49.40
FT Govt Securities	93.43	93.11	93.19	93.69	93.46	96.34	91.57	127.40	49.18
FT Fixed Interest	113.62	113.39	113.43	113.59	113.66	115.23	110.60	133.87	50.53
FT Gold Mines	1981.71	2005.02	2008.98	2045.63	2054.60	2520.73	1923.25	2520.73	922.18

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, MERCHANT
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CHEMICALS - Cont.
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

FOOD PRODUCERS - Cont.
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HOUSEHOLD GOODS
[illegible]

HOUSEHOLD GOODS - Cont.
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind		[illegible]	[illegible]	[illegible]	[illegible]	May Oct	[illegible]	–
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	Jan Jul	[illegible]	–
Gold Flds Prop R		[illegible]	[illegible]	[illegible]	[illegible]	Mar Sep	[illegible]	–
NK Props		[illegible]	[illegible]	[illegible]	[illegible]	Mar Sep	[illegible]	–
SASOL		[illegible]	[illegible]	[illegible]	[illegible]	Oct	[illegible]	–
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	Jul Dec	[illegible]	4113
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	Sep Mar	[illegible]	–
Tiger Oats		[illegible]	[illegible]	[illegible]	[illegible]	Jan Jul	[illegible]	–
Tongaat-Hulett		[illegible]	[illegible]	[illegible]	[illegible]	Jan Jun	[illegible]	–

GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2 1(a)(v) Overseas incorporated companies listed on an approved exchange
- Free annual/interim report available, see details below
- USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress
- Forecast dividend, cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: WS Atkins** (B&C) **Br Energy** (Elec), **Plasmon** (E&EE), **Therapeutic Antibodies** (Phrm), **Alld Carpets** (RoGn), **Robert Walters** (SpSv), **Digital Animation** (AIM). **Deletions: Frst Ireland Wrts, Fleming High Inc Wrts** (InTr).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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TSB Fund Managers (CI) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg

Fidelity Funds (u)

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Credit Suisse Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Svenska Securities

Swiss Bank Corporation

CMI Ins Co Ltd/Clerical Med Gen Life - Contd.

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 16 / Sch)

BELGIUM/LUXEMBOURG (Aug 16 / Frs.)

CZECH REP (Aug 16 / Koruna)

DENMARK (Aug 16 / Kr)

FINLAND (Aug 16 / Mka)

FRANCE (Aug 14 / Frs.)

GERMANY (Aug 16 / Dm.)

GREECE (Aug 16 / Drachma)

ITALY (Aug 16 / Lire)

NETHERLANDS (Aug 16 / Fls.)

NORWAY (Aug 16 / Kroner)

POLAND (Aug 16 / Zloty)

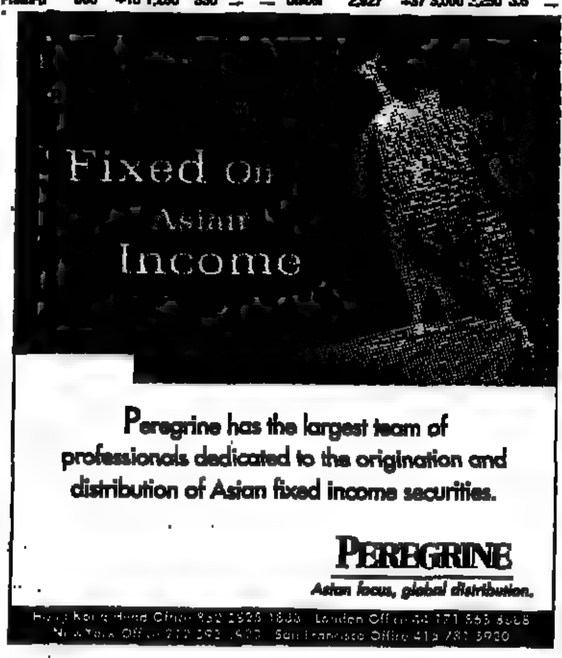
PORTUGAL (Aug 16 / Escudo)

SPAIN (Aug 16 / Pts.)

SWEDEN (Aug 16 / Kronor)

SWITZERLAND (Aug 16 / Frs.)

TURKEY (Aug 16 / TK Lira)



PACIFIC

JAPAN (Aug 16 / Yen)

HONG KONG (Aug 16 / H.K.$)

INDONESIA (Aug 16 / Rupiah)

MALAYSIA (Aug 16 / MYR)

NEW ZEALAND (Aug 16 / NZ $)

SINGAPORE (Aug 16 / S$)

AUSTRALIA (Aug 16 / Aus$)

SOUTH KOREA (Aug 16 / Won)

TAIWAN (Aug 16 / TW $)

THAILAND (Aug 16 / Baht)

AFRICA

SOUTH AFRICA (Aug 16 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 16 / Can $)
4 pm close

MONTREAL (Aug 16 / Can $)
4 pm close

INDICES

	Aug 16	Aug 15	Aug 14	1996 High		1996 Low	
Argentina							
General(29/12/77)	18168.14	15860.00	18080.85	18881.88	20/8	15501.38	28/7
Australia							
All Ordinaries(1/1/80)	2233.3	2226.7	2222.8	2328.80	28/4	2088.19	17/7
All Mining(1/1/80)	1004.1	1002.8	1003.6	1118.48	8/5	934.90	16/7
Austria							
Credit Aktien(30/12/84)	358.79	(c)	355.57	394.80	31/5	349.85	22/7
Traded Index(2/1/91)	1036.86	(c)	1034.08	1142.81	28/5	976.27	2/1
Belgium							
BEL20(1/1/91)	1751.32	(c)	1743.37	1773.28	29/6	1574.80	2/1
Brazil							
Bovespa(29/12/83)	63528.0	63484.0	62271.0	66522.90	12/7	43901.80	2/1
Canada							
Metals Mintg♦(1975)	5166.3	5149.31	5138.56	5824.80	8/5	4697.47	16/1
Composite♦(1975)	2089.18	5073.07	5046.80	5246.40	31/5	2089.18	16/8
Portfolio§§(4/1/83)	2502.82	2499.45	2499.5	2585.95	27/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	5987.40	(c)	5368.85	5804.33	8/1	5216.28	8/4
Denmark							
CopenhagenSE(3/1/83)	420.59	417.05	416.72	420.59	16/8	366.40	2/1
Finland							
HEX General(28/12/90)	2087.11	2088.03	2070.83	2087.11	16/8	1881.67	10/1
France							
SBF 250(31/12/90)	(c)	(c)	1361.56	1457.58	8/6	1250.16	2/1
CAC 40(31/12/87)	(c)	(c)	1979.82	2146.79	30/4	1867.85	11/1
Germany							
FAZ Aktien(31/12/58)	897.79	897.13	895.03	911.74	5/7	818.56	2/1
Commerzbank(1/12/53)	2811.1	2809.9	2801.90	2827.30	5/7	2370.18	2/1
DAX‡(30/12/87)	2548.38	2546.33	2538.66	2583.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	883.30	(c)	882.93	1017.86	4/3	872.98	7/8
Hong Kong							
Hang Seng(31/7/64)	11173.98	11158.39	11186.77	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1978)	3382.75	(c)	3424.63	4069.28	18/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	536.73	532.40	535.90	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2544.98	2545.58	2534.35	2585.19	18/6	2224.81	2/1
Italy							
Banca Comm Ital(1972)	604.78	(c)	600.19	674.10	20/5	572.21	27/3
MIB General(2/1/95)	1025.0	(c)	1017.0	1142.80	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20834.00	20968.25	20881.11	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	294.50	296.72	296.20	319.70	26/6	294.48	11/3
Japan							
Topix(4/1/68)	1584.84	1589.79	1589.73	1722.13	28/6	1524.12	13/3
2nd Section(4/1/68)	2108.33	2098.92	2072.80	2251.48	2/7	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1102.09	1096.04	1102.56	1186.54	30/4	988.18	2/1
Mexico							
IPC(Nov 1978)	(c)	3311.72	3285.21	3352.98	22/5	2736.26	8/3
Netherland							
CBS TRtnGen(End 83)	834.5	830.7	824.4	852.80	12/6	698.80	2/1
CBS All Shr(End 83)	375.7	373.9	370.2	387.10	12/6	328.70	2/1
New Zealand							
Cap. 40(1/7/86)	2150.14	2149.25	2140.63	2208.08	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1359.97	1362.58	1357.29	1406.71	12/6	1269.88	30/1
Philippines							
Manila Comp(2/1/85)	3108.70	3093.73	3101.78	3374.40	5/7	2576.97	2/1
Portugal							
BVL 30(4/1/93)	1838.75	(c)	1835.23	1869.28	3/7	1662.84	2/1
Singapore							
SES All-S'pore(2/4/75)	530.09	529.61	528.11	618.37	5/2	522.15	30/7
South Africa							
JSE Gold(28/9/78)	1734.1♥	1762.6	1782.4	2030.49	29/5	1348.40	2/1
JSE Ind.(28/9/78)	7738.5♥	7774.3	7855.7	8739.30	25/1	7723.28	20/5
South Korea							
KoreaCompEx**(4/1/80)	814.95	(c)	825.84	986.84	7/5	805.15	29/7
Spain							
Madrid SE(30/12/85)	330.09	(c)	354.25	330.88	16/8	323.75	11/1
Sweden							
AffarsvardsGen(1/2/37)	1973.7	1980.0	1975.8	2018.00	8/8	1706.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1742.86	1734.19	1737.46	1811.88	11/7	1516.19	17/1
SBC General(1/4/87)	1237.92	1230.40	1232.52	1284.98	11/7	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6240.61	6284.93	6373.93	6560.41	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1083.88	1088.90	1089.04	1415.04	8/2	1064.04	31/7
Turkey							
Istanbul Comp.(Jan 1986)	62357.1	62469.2	62440.9	73531.30	8/7	36078.39	2/1
WORLD							
MS Capital Intl(1/1/70)	(c)	785.8*	786.1	783.20	1/7	725.99	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1649.44	1643.79	1639.62	1709.78	4/7	1584.48	11/1
Euro Top-100(26/6/90)	1417.03	1408.92	1406.54	1458.28	28/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	368.82	369.69	383.18	16/4	344.19	2/1
MS Emgs Eurp(7/1/92)	156.83	158.18	156.78	165.91	4/7	147.35	2/1

US INDICES

Dow Jones	Aug 16	Aug 15	Aug 14	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5689.45	5665.78	5666.88	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.48	102.66	102.63	108.69 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2052.20	2048.83	2084.77	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	218.18	214.29	214.80	234.80 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5722.74 (5701.68) Low 5646.54 (5633.22) (Theoretical♣)
Day's high 5698.70 (5678.72) Low 5686.52 (5650.24) (Actual♣)

Standard and Poors	Aug 16	Aug 15	Aug 14	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	665.21	662.28	662.05	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	785.17	782.97	782.59	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	69.93	69.05	68.89	69.93 (15/8)	58.67 (10/1)	69.93 (16/8/96)	8.64 (1/10/74)
NYSE Comp.	355.96	354.22	353.84	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	556.14	552.53	550.34	614.89 (22/5)	525.60 (16/7)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1133.65	1134.69	1133.51	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 9	Aug 2	Jul 26	Year ago
Dow Jones Ind. Div. Yield	2.21	2.20	2.28	2.48
	Aug 14	Aug 7	Jul 31	Year ago
S & P Ind. Div. yield	2.04	2.03	2.10	2.07
S & P Ind. P/E ratio	22.04	21.16	21.35	18.69

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	9,890,300	27⅝	+¼
Hewlett Pk	8,442,300	41⅞	-1½
Ph Morris	6,350,000	89¾	-1¾
RJR Nabisco	5,341,500	25¾	-⅝
Cons Cigar	4,882,300	28¼	+5⅛
Pepsico	3,828,400	31½	+¼
Glaxo Wel	3,682,700	28⅝	+⅜
Coca Cola	3,579,700	51⅛	+⅛
AT & T	3,138,700	55½	+¾
Exxon	2,738,500	82¾	+1⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 16	Aug 15	Aug 14
New York SE	333.271	324.635	343.441
Amex	18.271	23.338	15.028
NASDAQ	(u)	469.481	441.961
NYSE			
Issues Traded	3,154	3,182	3,168
Rises	1,560	1,295	1,423
Falls	760	1,023	880
Unchanged	834	864	865
New Highs	116	84	66
New Lows	18	28	28

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index) (Aug 14)							
Aug	1984.0	1983.0	-	1999.0	1978.0	5,584	29,356
Sep	1989.5	1988.5	-	1994.5	1985.5	601	21,490
■ DAX							
Sep	2556.0	2574.0	+24.5	2578.0	2553.5	16,390	-
Dec	2573.0	2592.5	+26.0	2596.5	2573.0	136	-
■ OMX							
Jul	1538.50	1530.00	-5.00	1540.00	1523.00	1,983	14,915
Aug	1546.00	1536.25	-6.25	1547.00	1534.25	453	7,916
■ SOFFEX							
Aug	3650.0	3655.4	+10.9	3659.0	3647.0	2,193	12,376
Oct	3665.0	3687.0	+13.0	3678.0	3661.0	45	513
■ S&P 500							
Sep	663.15	668.10	+4.50	669.05	663.15	54,498	175,808
Dec	670.50	674.05	+4.45	675.15	670.50	731	11,853
■ Nikkei 225							
Sep	20960.0	21000.0	-120.0	21000.0	20820.0	14,839	234,470
Dec	21000.0	21010.0	-110.0	21010.0	20860.0	691	20,861

Open interest figures for previous day.

— Sat Aug 10: Taiwan Weighted Price 6314.58; Korea Comp Ex 838.77. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 16 - 2567.96 +28.21

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, August 16, 1996.

	Stocks Traded	Closing Prices	Change on day
Mitsui Matsushima	13.1m	674	+29
TYK Corp	12.3m	1,300	+130
Nippon Steel	4.0m	347	-3
Nippon Comsys	3.3m	1,550	+10
Yamaichi Sec	2.8m	690	+3
Ishi-Har Hvy Ind	2.1m	518	-1
Nichiboshin	1.8m	420	-10
JAL	1.7m	805	-6
Bk Tok-Mitsub	1.6m	2,220	-30
Daido Stl Sheet	1.6m	1,250	+60

4 pm close August 16

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¼	17¼	AAR	0.48	2.4	20	767	20⅛	19⅝	20	+⅛
46¼	36⅛	AMP	1.00	2.6	18	2580	39¼	38⅝	38⅞	-⅛
97½	68	AMR			16	4537	83⅞	82⅜	83⅜	+¾
50½	37⅜	ASA x	2.00	5.1	25	371	39⅝	38⅞	38⅞	-¾
47⅝	38⅛	AbbotL	0.96	2.0	20	u10350	u47⅞	46	47⅜	+1⅛
17¼	12¼	Abitibi Pr	0.40	3.0	8	268	13¼	13⅛	13¼	+⅛
20¼	13½	ABM Ind	0.35	2.0	18	50	17½	17¼	17½	+½
18⅝	13⅞	Acptocain			36	22	17½	17¼	17⅜	-⅛
50⅜	37¼	ACE Ltd	0.56	1.2	11	221	47	46⅞	47	
10⅛	9⅛	ACM Gvt In x	0.90	9.0	6	62	10	9⅞	10	
7⅞	6⅝	ACM GvOpp x	0.57	8.1		130	7⅛	7	7	
7¼	6	ACM Gvt Sp x	0.68	10.2		134	6⅝	6½	6½	-⅛
9⅛	8¼	ACM Gvt Sc x	0.90	10.3		289	8⅞	8¾	8¾	
9½	8⅜	ACM Mgst x	0.90	9.6		702	9⅜	9¼	9⅜	
13⅞	6⅛	Acme Elect	0.32	4.1	43	228	8⅜	7¾	7⅞	-⅜
17½	13⅞	Acme Mills			9	109	14⅝	14	14⅝	+¼
33¾	27¼	Acordia	0.80	2.6	18	38	31	30¾	31	+⅛
21½	12	Acuson			69	100	14	13⅞	13⅞	
19½	17⅞	Adams Expr x	0.48	2.5	0	196	18⅞	18⅝	18⅞	+⅛
21¼	10¼	AdvMic			8	4019	13⅞	13	13⅛	-¼
11⅛	8½	Advest Grp	0.16	1.6	7	41	10	9⅞	10	+⅛
26⅛	9⅛	Advo Inc	0.10	1.0	506	306	10⅛	10	10⅛	
50⅜	41⅛	Aegon	1.19	2.5	14	14	47⅝	47½	47⅝	+⅛
8¼	3½	Aerflx			3	69	5⅝	5½	5½	
68¼	57⅝	Aetna	2.76	4.0	7	7709	u69¼	68½	68⅞	+2⅛
39½	28¼	Aflac x	0.40	1.2	14	2236	34¾	34⅝	34⅞	-⅛
20⅞	17⅛	AGL Res x	1.06	5.2	17	1379	u20⅞	19⅞	20½	+⅜
28	21¼	Ahmson x	0.88	3.4	7	1610	26¼	25⅝	26¼	+⅝
60⅞	50⅜	AirPrC	1.10	2.0	14	1424	55	54⅜	54¾	+¼
28⅜	20⅞	Airbne Frt	0.30	1.3	15	477	22½	22	22½	-⅝
[illegible]										

- B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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4 pm close August 16

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close

Continued from previous page

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
27⅞	18⅞	Schwab(C)	0.20	0.7	22	5709	26⅞	25⅞	26⅞	+1⅛
32⅛	22¾	SchwMaud x	0.60	1.9	15	170	32	31⅞	31⅞	-⅛
20⅞	12	SciAt	0.06	0.4	175	838	14	13⅝	14	+½
21	17	Scotsmn	0.10	0.5	11	92	20⅝	20½	20⅝	+⅛
47½	38⅛	Scripps	0.52	1.2	25	91	44¾	44½	44⅝	+⅛
18⅛	13¼	ScuddrNAsF	0.02	0.1		149	13⅞	d13¾	13⅝	+⅛
12⅞	11	ScuddrNEvF	0.16	1.3		94	12⅝	12½	12½	-⅛
20½	16	SeaCnB	0.17	0.9	25	9	18⅞	18¾	18¾	-⅛
16	15	SeaC1.4625	1.46	9.7		2	15⅛	15⅛	15⅛	-⅛
67⅞	36⅞	S'gate			25	10376	53⅛	51½	51¾	-1
38⅛	30⅞	Seagrm	0.60	1.8	23	3113	34⅞	34⅛	34¼	+½
26	17⅛	Seagull En	1.20	6.5	12	917	18⅞	18¼	18½	+⅛
39	28	Sealed Air	0.64	1.6	28	769	u39	37½	39	+1½
53⅞	38¼	SearsR	0.92	2.0	17	17645	46⅝	44¾	46⅞	+1¾
22⅞	19¼	SecCapStl	1.24	6.0	10	878	20⅞	20⅝	20¾	-¼
13	11⅞	Seligm Sel x	0.84	6.7		56	12½	12⅜	12½	+⅛
23¾	13⅝	Sensormat	0.22	1.2	14	4915	19⅛	18½	18⅞	-⅛
44⅞	29½	SequaA	0.60	1.4	50	59	43⅞	42⅞	43⅞	+1¼
50¼	39	SequaB	0.50	1.0	58	12	u50¼	49¾	50¼	+¾
60¼	38⅞	SevCo	0.41	0.7	28	2180	57¼	56¾	57⅛	+⅜
23½	19½	SvMstr	0.68	3.0	14	230	23	22¼	22⅞	+⅛
6¼	4½	ServMerch			10	668	4¾	4⅝	4¾	
48¾	28½	SGSThm			7	856	38⅛	37½	38⅛	+⅜
15¾	10⅝	Shaw Ind	0.30	2.0	39	2713	u15¾	15	15¼	+⅜
13½	10⅛	Shelby Wil	0.32	2.5	15	4	12¾	12⅝	12¾	+⅛
89⅞	76⅝	ShellTr	3.26	3.7	16	66	87⅞	87¼	87⅝	+⅜
47⅞	39	ShrW	0.70	1.5	18	1854	45⅝	45¼	45½	-⅛
18⅞	7¾	Shoneys			10	681	9⅝	9¼	9⅝	
35½	18¾	Showboat	0.10	0.5	45	290	18⅞	19½	19½	
28	22⅞	Sierra Pac	1.18	4.6	11	381	25⅞	25¼	25¾	+½

AMEX PRICES

4 pm close August 16

NASDAQ NATIONAL MARKET

4 pm close August 16

FT GUIDE TO THE WEEK

MONDAY 19

Clinton reaches 50

Bill Clinton, the US president, celebrates his 50th birthday with a trip to Tennessee, home of Al Gore, the vice-president, whose wife Tipper was born on the same day as Mr Clinton. Apparently unconcerned by his recent drop in the polls, the president plans to participate in the rebuilding of Salem Baptist Church in Fruitland. The official celebration of Mr Clinton's birthday, held last night, sought to raise funds for his re-election campaign.

Korean security exercise

South Korea begins holding a realistic five-day civil defence exercise that includes night curfews, water and power stoppages, and mock air raids and terrorist attacks. The extensive nature of the exercise is meant to correct what officials describe as "chronic apathy and waning security consciousness" among the public to a possible attack from North Korea. In reply, North Korea says the exercise is designed to increase hostility between the two countries and to counter calls for reunification.

Korean pro-unification students demonstrate in Seoul, where a civil defence drill begins today to raise awareness of the threat posed by North Korea

Singapore blitzes toilets

Singaporeans are being urged to raise their already high standards of cleanliness with a blitz on public toilets. Goh Chok Tong, the Singaporean prime minister, started the two-month campaign in April when he linked public toilet habits with the country's efforts to become a more gracious society. The campaign is aimed at users rather than cleaners of the country's estimated 12,000 public toilets, and includes a competition to design a campaign poster.

Athletics

Britain v US, Gateshead.

Public holidays

Afghanistan, Colombia, Venezuela.

TUESDAY 20

Australian budget day

Australia's new conservative federal government hands down its first budget – a package of measures which aims to squeeze A$8bn (US$6.2bn) out of public expenditure over the next two years, and to move Australia to a budgetary balance by 1998/99. The announcement also marks the start of the parliamentary session. With the extent of the government's fiscal rectitude already under attack from opposition parties, and other controversial legislation – covering labour market reform and the partial privatisation of Telstra, the telecoms group – due to be re-presented, the session promises to be stormy.

IMF visits Argentina

An International Monetary Fund mission arrives in Buenos Aires to discuss past fiscal laxities and proposed remedies with Argentina's new economic team, which took over last month. In particular, the IMF will assess an austerity package launched last week which aims to raise $4bn-$4.5bn for the Treasury. Without such a package, which includes a sharp increase in fuel prices and an end to most VAT exemptions, Argentina would be heading for an expected $6.6bn deficit this year.

Decision on Rao appeal

India's supreme court decides whether P. V. Narasimha Rao, leader of the Congress party, has to face fraud charges levelled against him by a businessman. Mr Rao appealed to the supreme court following a summons from another Delhi court, which has been told to put proceedings on hold until after the appeal. The case has increased pressure on Mr Rao to step down as leader of the Congress party, which was voted out in May elections.

Japan PM visits Mexico

Ryutaro Hashimoto, the Japanese prime minister, leaves on a 10-day visit to Mexico, Chile, Brazil and Peru. It will be the first official visit of a Japanese leader to Mexico since 1989, and the first to Brazil and Peru since 1982, while Chile has not received a Japanese prime minister since 1959. The Japanese government has decided to provide about Y60bn ($556m) in loans to Peru this fiscal year for three infrastructure development projects. The loans are the largest official development assistance extended by Tokyo to Lima in a fiscal year.

US interest rates

The Federal Reserve's open market committee meets to discuss US interest rates. Most economists expect short-term rates to remain unchanged at 5.25 per cent, following weaker economic data.

Public holidays

Hungary, Morocco.

WEDNESDAY 21

Shakespeare's Globe

Shakespeare's Globe, an authentic recreation of the theatre where many of Shakespeare's plays were first performed, opens on London's Bankside with a four-week prologue season of performances of *Two Gentlemen of Verona*. The Globe, which cost £28m to create, was the life work of Sam Wanamaker, the American actor, who died in 1993. A full season will start in April.

Canadian premiers meet

The premiers of Canada's 10 provinces and of the Northwest Territories and the Yukon hold their annual meeting. The leaders gather round a conference table on a chartered train running between Edmonton, the capital of Alberta, the host province this year, and Jasper, a Rockies resort. Economic growth, social policy and "rebalancing" federal-provincial legislative powers top the agenda.

Water skiing

European championships, Vallenbaek, Denmark (to Aug 25).

THURSDAY 22

Bundesbank meeting

The Bundesbank's policy-making council meets for the first time after its summer break, with the possibility of interest rate cuts still in the air. Having disappointed markets by not trimming its key securities repurchase (repo) rate from 3.30 per cent in July, the German central bank may decide to act now. As ever, the Bundesbank has been keeping markets guessing about whether a move will come this week, later or not at all.

Deng reaches 92

Deng Xiaoping, China's paramount leader, reaches his 92nd birthday as speculation continues to surround both his health and his whereabouts. Mr Deng has not been seen in public since 1994. His gradual disappearance from political life has set in motion a difficult transition to a new generation of rulers, with attention focusing on moves to bolster the leadership of President Jiang Zemin.

Megawati in court

The Jakarta central district court is due to preside over the first hearing against the government and military brought by Megawati Sukarnoputri, Indonesia's embattled opposition figurehead. Ms Megawati is suing the government for backing a congress which she argues illegally replaced her as leader of the opposition Indonesian Democratic party with a government-backed candidate.

Pop memorabilia on offer

Bonhams in London holds an auction of pop memorabilia including items from the most collected stars – the Beatles, Elvis Presley and Jimi Hendrix. Among the Presley lots is a white gaberdine stage suit estimated at up to £9,000. From the Beatles there is the original affidavit sent by a disaffected Paul McCartney to the rest of the group (estimate up to £1,000). Jimi Hendrix's autographed lyrics of his song "Ain't no telling", written on hotel stationery, could make £15,000.

Downer visits China

Alexander Downer, the Australian foreign minister, visits China. Mr Downer is due to meet Li Peng, the Chinese premier, to discuss a range of issues, including security and trade. Tension between the two countries was heightened last week after Mr Downer said he was considering plans to allow the export of uranium to Taiwan. China is also concerned about a planned tour of Australia by the Dalai Lama, Tibet's exiled spiritual leader.

Cricket

Third Test, England v Pakistan, Oval cricket ground, London (to Aug 26).

Golf

German Open, Stuttgart (to Aug 25).

FRIDAY 23

Canadian Tories meet

Canada's Progressive Conservative party begins its national policy convention in Winnipeg. Jean Charest, the party's leader, will try to hold the centre ground with one eye keenly on the next federal general election. "My conservatism has a distinctly human face," says Mr Charest. More than 2,000 delegates are expected.

UK rail strike planned

Rail travellers in Britain face widespread disruption when train conductors and other staff are expected to hold a 24-hour strike in pursuit of a pay and productivity claim. Unless talks between the RMT transport union and private train operating companies produce settlements, stoppages may occur on NW Regional; S Wales and West; Mersey Rail; North London; Regional Railways NE; Scotrail and Cross-Country.

Zagreb and Belgrade

Mate Granic, the foreign minister of Croatia, meets Milan Milutinovic, his counterpart from Serb-led Yugoslavia, in Belgrade in order to establish full diplomatic relations. The meeting follows a bilateral summit earlier this month between the presidents of Serbia and Croatia. They established low-level diplomatic relations two years ago, but a series of disputes has held up the normalisation of relations.

Athletics

IAAF grand prix meeting, Brussels.

SATURDAY 24

Turkish party picks leader

Mesut Yilmaz, the former prime minister of Turkey, is up for re-election as leader of the opposition conservative Motherland party at its annual conference in Ankara. Mr Yilmaz is unlikely to face serious challenges, even though he has led his party to two successive election defeats and was outmanoeuvred by his conservative rival Tansu Çiller during a short-lived coalition government earlier this year.

SADC discusses trade

The Southern African Development Community winds up a week of meetings in Maseru, Lesotho, with a summit of heads of state. Among the issues dominating the meeting are plans for a free trade protocol. South Africa, a member of the community, has made clear its preference for a free trade agreement linking all 12 SADC countries, in preference to individual pacts with its neighbouring states.

Cycling

European mountain bike championships, Italy (to Aug 25).

Public holidays

Ukraine, Georgia, Hong Kong, Liberia.

SUNDAY 25

Notting Hill carnival

West London plays host to the 31st Notting Hill Carnival, with more than 1m revellers expected to join the street parties, dancing and parades. Second only to the Rio de Janeiro carnival, the event includes an estimated 10,000 entertainers and performers, with about 70 floats making their way through the crowds. The music is officially switched off at 7pm, but celebrations continue through most of the night, and are resumed for a second and final day on Monday.

Motor racing

Belgian grand prix, Spa-Francorchamps.

Compiled by Nick Mayhew-Smith.
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ECONOMIC DIARY

Other economic news

Monday: With the Bundesbank due to meet later this week, European data will be watched closely by the markets.

The Ifo business survey in Germany could provide an important clue about the strength of activity. Meanwhile, the consumer confidence survey will also be watched for any sign of a consumer upturn.

Wednesday: In the UK, July retail sales data are forecast to show growth, albeit not as strong as the previous month.

Thursday: Revised UK gross domestic product figures for the second quarter of the year are likely to show no change from the flash estimates. The Confederation of British Industry's industrial trends survey will be watched for signs that manufacturing is reviving.

Italian consumer prices data should show a small monthly increase, with a drop in the yearly rate.

Friday: French July inflation data will point to continued low price pressures in that economy.

Dutch inflation data is also set to be low, together with Swiss inflation.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Aug wholesale price ind, 1st 10 days		-0.1%	Aug 22	UK	Q2 gross domestic prod revised***	1.8%	1.8%
Aug 19	Japan	Jun overall pers consum expend**	0.4%	-1.4%		Canada	Jun int'l C$ securities transactions	1bn	-0.2bn
	Japan	June pers consum expend, workers**		-1.1%		Canada	Jun retail sales†*	0.3%	0.0%
	Japan	Jun income, workers**		-0.6%		US	M1 week ended Aug 12	-$6bn	-$3.3bn
	Canada	Jun manufacturing new orders	0.8%	4.6%		US	M2 week ended Aug 12	$1.2bn	$3.9bn
	Canada	Jun manufacturing shipments*	1.0%	1.6%		US	M3 week ended Aug 12	$6.5bn	$8.6bn
	Canada	Jun manufacturing I-S ratio	1.35	1.36	Fri	France	Jul consumer price index final*	-0.2%	-0.25%
	Canada	Jun wage settlement inc**	1.0%	0.8%	Aug 23	France	Jul consumer price index final**	2.2%	2.25%
Tues	Japan	Jun coincident index	55%	30%		US	Jul durable orders	0.4%	-0.6%
AAug 20	Japan	Jun leading differential index	70%	66.7%		US	Jul durable shipments		-0.6%
	Italy	Jun producer price index**	1.0%	1.3%		Canada	Jul department store sales**	0.6%	0.6%
	Italy	Jun wholesale price index**	2.8%	3.5%		Canada	Jul wholesale trade†*	1.1%	1.5%
	UK	Jul M4*	0.5%	0.7%	During the week...				
	UK	Jul M4**	9.5%	10%		Germany	Jul Icon consumer climate		87.0
	UK	Jul M4 lending	£5bn	£5.2bn		Germany	Jul M3 from Q4 95 base	8.8%	8.6%
	UK	Jul bld soc net new commitments	3.6bn	3.8bn		Germany	Jul M3 from Q4 94 base	4.8%	4.8%
	US	Jun trade, goods and services	-$9.5bn	-$10.9bn		Germany	Jul private lending (6m ann)	7.0%	7.2%
	US	Jun goods and services export (BOP)	$70.4bn	$69.8bn		Germany	Jul Ifo business climate, west†	90.7	90.4
	US	Jun goods and services import (BOP)	$79.5bn	$80.6bn		Germany	Jul prod price index, pan Ger*	0.0%	-0.2%
Wed	UK	Jul retail sales*	0.4%	1.3%		Japan	Aug trade balance, 1st 10 days not†		Y203bn
Aug 21	UK	Jul retail sales**	3.2%	3.3%		Japan	Jul supermarket sales**		2.8%
	US	Jul export price index		-0.1%		Italy	Jul balance of payments, Lbn		6,808
	US	Jul import price index		-1.2%		Italy	Jul foreign exchange reserves, Lbn		115,000
	US	Jul Treasury Budget	-$24bn	$34.1bn		Italy	Jun trade balance, payments, Lbn		3,400
Thurs	UK	Q2 gross domestic prod revised***	0.4%	0.4%					

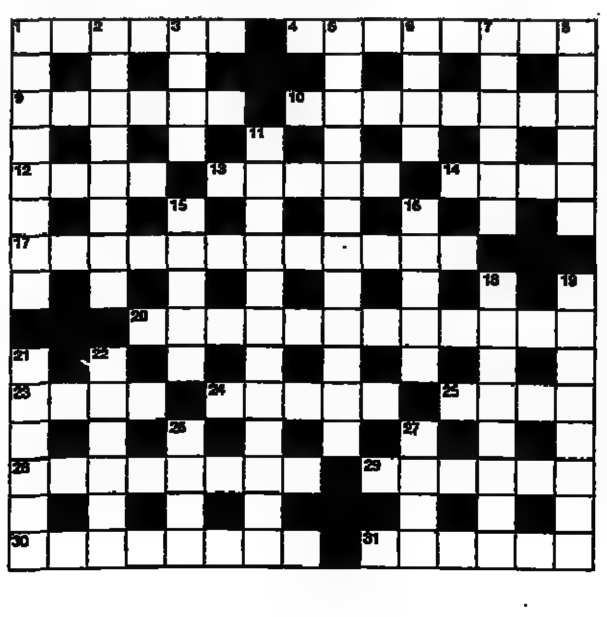
*month on month, **year on year, ***qtr on qtr, † seasonally adjusted. *Statistics, courtesy MMS International.*

ACROSS

1 Official seal, pain in court? (6)
4 Drunken generals, swells (8)
9 A convenience for spies (6)
10 News round received (8)
12 Counter made from old block? (4)
13 Duke finished port (5)
14 Fortunate to have space in flight (4)
17 Wheeled vehicles of very wealthy family (7-5)
20 Football club has one in lottery, getting excited (6,6)
23 Element with short fuse (4)
24 Intersection approach? (5)
25 Vehicle of early times carrying soft, farm-butter (4)
28 Stress of English member, as his constituents move about .... (8)
29 .... he could not take Friday off (6)
30 Chaff not recommended for senior citizens? (8)
31 Church teas turning out to be simple and refined (6)

DOWN

1 Risk going over line in court (8)
2 Tops of crusts fit to eat, like things we can swallow (8)
3 Common grub hidden in wheat-stalks (4)
5 A tug insanely pitching in a sickening way (12)
6 Collaborator for an entire year (4)
7 Marshal to draw (6)
8 Legs in movement make one run (6)
11 Sustained condition enduring for ages (4-8)
15 Key American composer, a very rich man .... (5)
16 .... his record to go well? (5)
18 Thaws dead forests out (8)
19 Stock running out? Rush! (8)
21 Sovereign in new purse given to bishop (6)
22 Having summit, given inside information (6)
26 Small piece in hock (4)
27 Common feature of perpendicular church (4)



MONDAY PRIZE CROSSWORD

No.9,150 Set by DINMUTZ

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 29, marked Monday Crossword 9,150 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 2. Please allow 28 days for delivery of prizes.

Name.................................

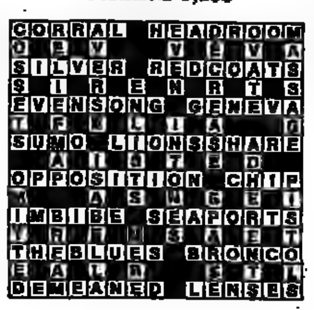
Address.................................

....

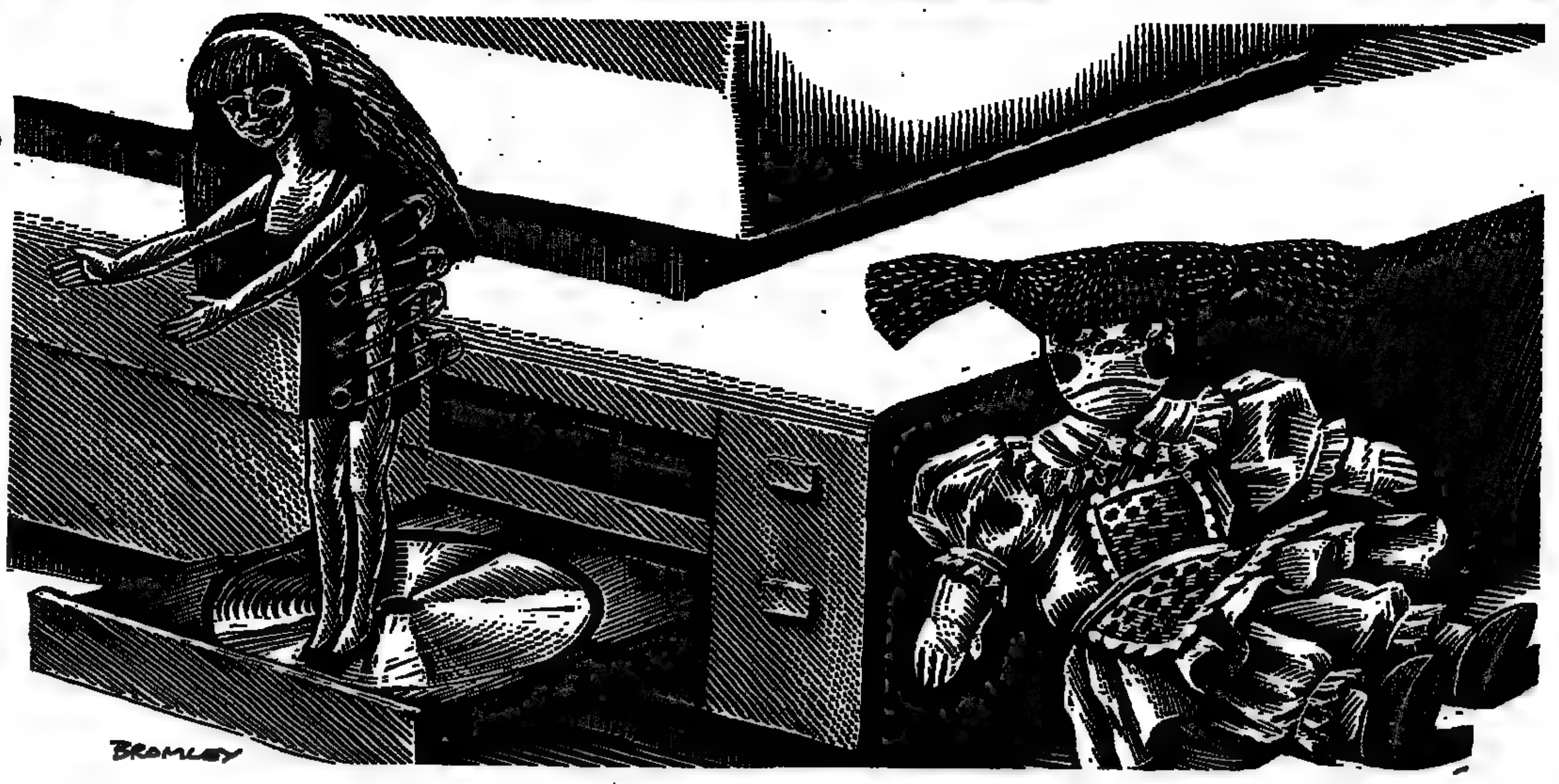
Winners 9,138

D.E. Brittenden, Westerham, Kent
R. Birchall, Leigh on Sea, Essex
A. Black, Leeds
K. Crolius, Southport, Connecticut, USA
M.J. Taylor, Banstead, Surrey
Mrs F. Zinkin, London W8

Solution 9,138



JOTTER PAD



BROMLEY

Barbie dolls up for CD-Rom

Toy makers are entering the digital and online arena, writes **Alice Rawsthorn**

Barbara Millicent Roberts has played many roles in her thirtysomething lifetime – model, astronaut, chef, scuba diver, politician, even a hip-hop star – and now she is about to enter the world of digital technology.

Ms Roberts, "Barbie" to her friends, will make her digital debut this autumn when she stars in a series of CD-Roms – Barbie Fashion Designer, Barbie Storymaker and Barbie Print 'n' Play – which are due to hit the stores on November 4, just in time for the start of the Christmas shopping season.

Until recently traditional toy manufacturers such as Mattel, Barbie's creator, left the interactive games market to the Japanese video games groups, Sega and Nintendo, and US software companies, notably George Lucas's Industrial Light & Magic. Now they are developing CD-Rom and online versions of their established toy brands.

Hasbro, Mattel's arch-rival, brought out CD-Rom formats of its board games, Monopoly and Trivial Pursuit, last autumn. It is now finalising plans for this autumn's launch of interactive formats for other brands including Playskool, Cluedo, Risk and Battleship. The first Lego CD-Rom will be introduced next spring, and Mattel is working on interactive versions of Cabbage Patch Kids and Polly Pocket.

The rationale for the expansion of these traditional toys into the digital domain is that they should appeal to consumers too young or too old to enjoy the "action" games, such as Doom and Virtua Fighter, that still dominate the video and PC games market.

"All the statistics tell us that the fastest-growing group of PC owners are people over 35 with young families," says Nadja Singh, head of sales and marketing for Hasbro Interactive. "They're not likely to want to buy video games, but our products are perfect for them. They already know and enjoy them, so turning them into CD-Roms is a natural extension to our range."

At stake is the fastest-growing area of the $66bn (£42bn) global toy market. Euromonitor, the market research consultancy, estimates that video games represented nearly a third of all toy sales last year, with sales of $20.75bn. Nintendo and Sega are now the second and fourth largest toy companies behind Toys R Us, the huge US retailing group, in first place (Mattel and Hasbro taking third and fifth place respectively).

Although the pace of growth in the video games sector has slowed in the mid-1990s, while games enthusiasts waited for the new wave of 32-bit and 64-bit games systems, such as the Sega Saturn and Nintendo Ultra, to come on the market in place of less powerful 16-bit formats, Euromonitor expects interactive games to show stronger growth than traditional toys during the late 1990s. It predicts that sales of traditional toys such as Barbie dolls, Lego kits and Monopoly sets will increase by 15 per cent from $45.35bn last year to $52.2bn in the year 2000, with video games sales rising nearly twice as quickly by 29 per cent to $26.71bn.

As more people buy personal computers for their homes, the fastest growing area of the games sector is expected to be CD-based concepts and online formats played over the Internet. This shift from the video games consoles that have dominated the market for a decade creates an opportunity for traditional toy manufacturers to move into interactive games.

Hasbro tested the water last November with CD-Rom versions of Monopoly and Trivial Pursuit, both at £39.99, which have sold 300,000 and 200,000 units respectively worldwide. The original board concepts were carefully adapted so interactive versions would offer something different, reducing the risk of cannibalising sales. Anyone landing on a street on the Monopoly CD-Rom, for instance, can look around it. The CD-Rom also offers access to a Net version, so people can play it online.

The CD-Rom versions of Cluedo, Risk and Battleship, which will go on sale this autumn, will also offer Net access. Although Hasbro's other new interactive games, Othello and Yahtzee, will, like Trivial Pursuit, be limited to the CD-Rom format.

Lego is producing a special CD-Rom to be included in its new Lego Town set due out next spring which will tell the child how to build a town from the accompanying kit.

Meanwhile Mattel prepares to launch the first three Barbie CD-Roms this autumn, each of which will sell for £30 in the UK and $40 in the US. If the first three Barbie games prove popular, it will then move on to CD-Roms for Polly Pocket and the Cabbage Patch Kids and to other Barbie concepts, enabling Ms Roberts to play nearly as many roles on screen as she does off it.

Tim Jackson

Raw pin-up law

Our long standing system of intellectual property protections has encouraged creative minds to be productive. Diluting those protections may discourage that creativity.

These words appeared in a judgment handed down recently by a federal district court in the southern district of New York which has important implications for anyone with ambitions to distribute information across the Internet. The case raises two questions: what jurisdiction can courts in one country claim over the Net? And if they claim jurisdiction, what chance do they have of making their claims effective?

The parties were two competing publishers: Playboy Enterprises Inc of the US, publisher of the magazine that gave us the word "centrefold", and the publisher of an Italian magazine with the similar name of *Playmen*. Fifteen years ago Playboy won an injunction ordering the Italian publisher, Tattilo SA, not to distribute its product in the US. Since then, with the backing of the Italian courts, *Playmen* has been published in its home country alone.

Playmen set up a Web site last year, in Italy, which offered customers dirty pictures for a fee. Playboy sued, claiming that by establishing the Web site the Italians had breached the earlier injunction. Playboy said that because the Web site had US customers, it should be deemed a distribution in the US.

Tattilo riposted that it had distributed nothing in America. It had merely made available to Americans, along with everyone else, information that they could pick up from its computer in Italy. This, said Tattilo, was the electronic equivalent of allowing Americans to board an aircraft to Italy and buy a copy of the magazine.

The judge accepted the defendant's claim that it could not be forbidden to operate a Web site in Italy simply because the site was accessible in the US.

That, the court agreed, would be "tantamount to a declaration that this court, and every other court throughout the world, may assert jurisdiction over all the information provided on the global World Wide Web."

But the judge concluded that Tattilo had taken active steps to bring its offering to the attention of Americans. The site was partly in English, and US customers were invited to download an application form and fax it to Italy with a credit card number to obtain a password allowing them to download pictures.

Tattilo was ordered to invalidate its US user names, refund money, and to put up a sign saying Americans would not be welcome in future and to pay to Playboy all the money it had made from its US Web site customers.

The judgment therefore came down on Playboy's side, and the fine words above about encouraging "creative minds to be productive" referred, one supposes, to Playboy's photographers. Then came the twist. The Italians returned to court, saying they had amended the subscription system, and that the site was now open to anyone without a password.

The court was not convinced. It took the stronger line that simply making the Web site available to Americans amounted to a distribution in the US, and ordering Tattilo to set up a password system to keep Americans out.

It is paradoxical that the issue of jurisdiction over the Net has arisen so clearly in the US. In future, it is likely to be material coming out of the US that provokes controversy.

The US has one of the world's most liberal regimes on alleged pornography, in which plenty of material receives constitutional protection that would bring its publisher a spell in prison abroad. There is also a babel of US free speech on the Net expressing political opinions unacceptable to half the governments of the world.

While courts everywhere may assert jurisdiction over the Net, there is little that they can do to make good their claims. The Tattilo case was special because the defendant was bound by an earlier injunction, and had an office inside the court's jurisdiction.

In future, more defendants are likely to have no connection with the jurisdiction, and enforcement is likely to be a messy process that involves putting lawyers on aircraft carrying default judgments that they hope to convince foreign courts to enforce.

Is this bad? It is tempting to liken the free flow of information to the free flow of capital: something that has brought benefits to the world, but has circumscribed governments' room for manoeuvre, and to say that the erosion of national standards is the price to be paid for this valuable communications medium.

But there is also a case for arguing that the Net is becoming an electronic community of its own, with values different from those defined by national or regional borders. Some new set of rules needs to be applied to Net communications. A protocol to the Berne convention? A new role for the World Trade Organisation? An entirely new international policeman?

Today, all these suggestions seem unlikely. But when you have excluded the impossible, as Sherlock Holmes used to say, whatever remains – however improbable – must be the truth.

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Cyber sightings

● This month sees the first issue of BT's *Business Connections* webzine (*www.businessconnections.bt.com*), for small business users, with an advice centre, extracts from *Business Opportunity World* magazine for start-up enterprises and an expert forum (this month on direct marketing). With material from the department of trade and industry.

● ZDNet's AnchorDesk with Jesse Berst (*www.zdnet.com/anchordesk*) is a good source of new developments and gossip around the technology sector. It has story archives, company background and product evaluations. Simple to use, nice graphics and highly useful, and you can order it for e-mail delivery.

● The Corporate Citizenship Resource Center (*http://trcnew.trc.doleta.gov/citizen*) is a service from the US Department of Labor, to promote the notion of corporations treating employees as valuable assets and developing them as "partners on the road to profitability". Some interesting stuff, but lots of feel-good quotes about corporate citizenship.

● For material relevant to global patents, David Wareing's Patents on the Internet site (*www.aber.ac.uk/~dgw/patent.htm*) is well worth a visit.

● Without doubt, one of the most indispensable sites I've seen for a long time is Gibbons Burke's Hot Links for Traders (*www.io.com/%7Egibbonsb/wahoo.html*), which has excellent finance-related links as well as articles and news sites. Well worth bookmarking.

● FilmNet UK (*www.filmnetuk.com*) is an online information service for film makers putting together a production in Britain. Searchable by region, the database of available personnel could be just the thing if you're desperate to find a dolly grip who lives in Kidderminster.

● The Northern Development Company is a non-profit making organisation to promote business and economic growth in the north of England. This site (*www.nordev.co.uk*) is under construction, but plans to outline available sites and premises, and to provide details of national and international marketing opportunities and local business development resources.

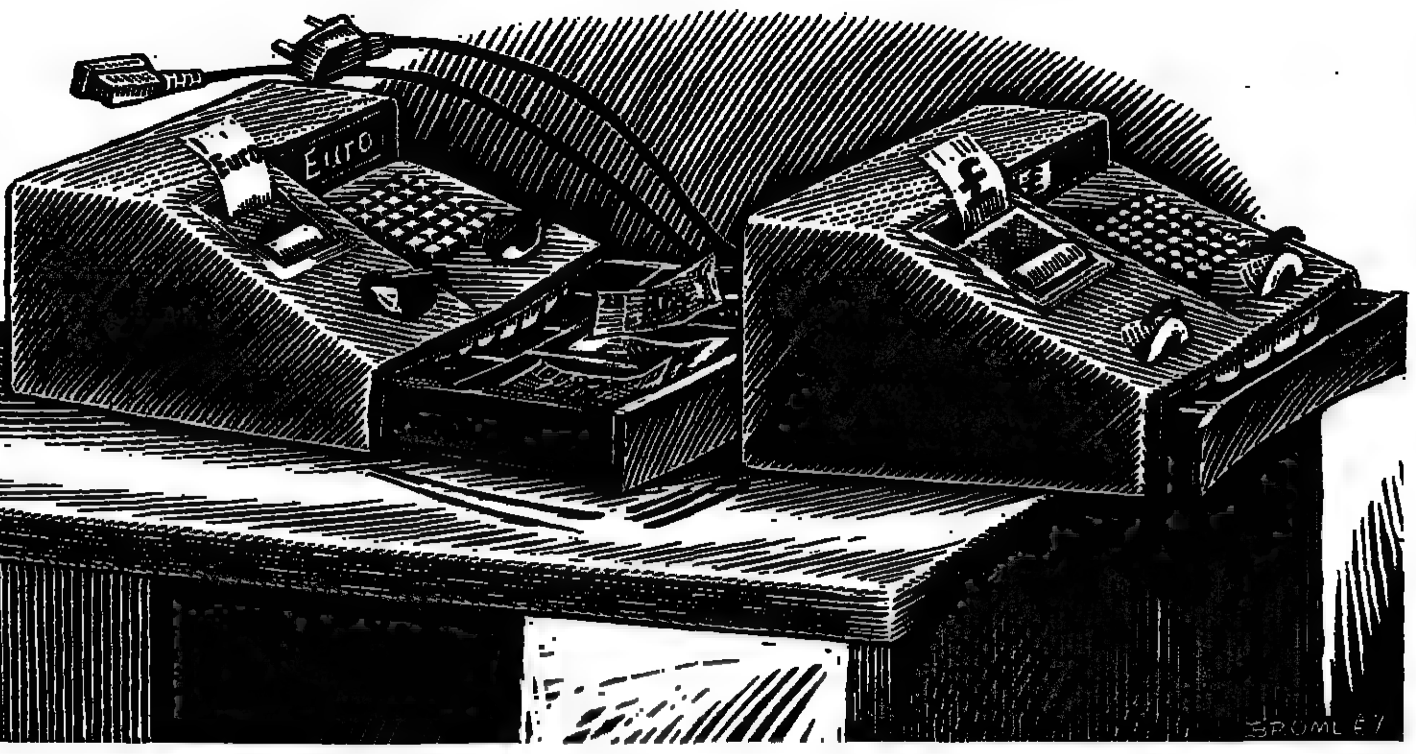
● With meteoric revelations sparking a whole new round of debate and questions, Nasa's excellent Life on Mars? site (*http://cuames.arc.nasa.gov/marslife*) has photos, audio and video links, and background material about Mars. It is fascinating.

steve@mcgook.demon.co.uk

MANAGEMENT

UK companies are waking up to the prospect of a single European currency, writes **Gillian Tett**

Counting the cost of Emu



Earlier this summer executives from Shell, the Anglo-Dutch oil group, held a brainstorming session. After watching the political debate about European economic and monetary union gather pace, the group decided it was time to examine how the issue might affect the company.

Their conclusions were mixed. Although Shell believes Emu should not pose insuperable problems for the group, it has identified a plethora of technical issues ranging from pension fund policy to the possibility of dual pricing on petrol pumps.

But the real significance of the meeting is that it took place at all. For Shell's initiative reflects a broader debate about Emu that is emerging among some large UK industrial companies.

Although UK banks have been debating their own set of Emu-related challenges for some time, Shell's initiative is now matched in other non-banking groups such as ICI, British Airways, Unilever and Marks and Spencer.

According to Vincent Cable, chief economist of Shell International: "Three months ago we woke up to the fact that Emu was likely to happen – and we decided we needed to prepare for it".

But deciding just how any UK industrial company can actually "prepare" for Emu is far from easy. One problem is the sheer uncertainty. Although many companies now believe Emu could proceed as planned in 1999, this is far from definite.

And UK companies face the added problem of the government's ambiguous stance. It seems unlikely the UK will join Emu in 1999 but this cannot be ruled out. And the UK might still join at a later stage – perhaps in 2002 when euro notes and coins are finally introduced.

This uncertainty poses vast problems. Jo O'Neill, treasurer of Guinness, says: "I think there are just not enough details available for firm planning yet."

However, Shell decided to cope with the problem by imagining the impact of a host of scenarios – ranging from UK entry in 1999 to a complete collapse of Emu.

Some companies fear that waiting for a political decision is dangerous. For even if the UK stays outside Emu the consequences of France and Germany moving to Emu could still be felt within three years. Companies in continental Europe are already pushing ahead with preparations – meaning that if the UK does make a late decision to join, UK companies could be caught out.

As one UK group says: "It's a competitive issue. Maybe Emu won't affect us as much as our continental competitors – but we don't want to be caught short."

There is also the diffuse nature of the project. Emu potentially affects not only treasury operations and accounting, but a whole body of IT and legal issues. The first point any UK company needs to consider, for example, is simply the impact of dealing with a new currency.

If the UK stays outside Emu, companies operating in domestic markets may not be affected by the euro. Even some exporters suspect it will initially pose few problems.

According to Christopher Purser, group treasurer for the engineering group Glynwed: "It will probably be just like another foreign currency – our treasury already copes with a lot of currencies."

But other companies, particularly those with subsidiaries in continental Europe, fear its impact may be more significant, partly because of the manner in which the euro will be introduced.

The scenario agreed by governments in Madrid last year envisages that the euro will initially only exist as a unit of account between 1999 and 2002. National currencies will continue to circulate at "irrevocably fixed" exchange rates, until the euro notes and coins replace national notes and coins in 2002.

In theory, this means nobody can be compelled or prevented from using the euro until 2002. And some companies want to delay its use: one UK group has decided it will continue accounting internally in sterling up to 2002, even for its continental subsidiaries.

But there could be strong pressure on companies dealing with Emu members to switch to the euro much earlier, at least for external business dealings.

This is partly because many of Europe's largest companies, such as the German group Siemens and Dutch company Philips, plan to switch to the euro in 1999. The UK chemicals group ICI thinks it will do the same. This could create pressure on smaller companies to change as well – possibly very quickly. "We will certainly encourage the use of the euro," says Ton Ruhe, director of corporate finance of Philips.

Meanwhile, the sheer size of the Emu area means the euro could gain significance in international trade – even in the UK. As Bryan Sanderson, head of BP chemicals, says: "I think you could quite quickly see the euro acting as a dual currency [for UK business]."

However, this switch will not be universal before 2002 because many government and consumer operations will remain denominated in national currencies. And so UK exporters could be forced to juggle complicated numbers – or use dual pricing.

Sir Brian Pearse, chairman of Lucas industries, the motor and aircraft parts group, says: "Any company supplying into continental Europe will have to have a euro account [after 1999] – trade will be denominated in euros to a much greater extent than its constituent currencies."

This means companies may need to look at their banking arrangements. There are already fears that processing euro payments through UK-based banks may be costlier than through continental banks if the UK stays outside Emu. As Richard Freeman, chief economist of ICI, says: "Any sensible company should be looking at the cost of their treasury operations now."

The change also has implications for information technology, since computers will need to handle the euro for invoicing, accounting and possibly even pay bills. Freeman adds: "IT is probably the biggest area which needs to be considered."

The IT problems vary significantly between sectors. Some companies have concluded that incorporating the euro is relatively manageable. British Airways, for example, believes its ticketing operations can cope with Emu fairly easily.

The issue is further complicated because Emu will clash with 2000, which in itself poses significant computing problems.

Retailers face particular challenges if the UK joins Emu. It is planned that euro notes and coins will circulate alongside national currencies in early 2002. The prospect of coping with dual currencies has dismayed UK retailing groups such as C&A and Kingfisher. Meanwhile, Marks and Spencer and Tesco each estimate the IT costs of the changeover to be around £30m.

Aside from handling the currency, Emu raises a host of logistical problems. On the legal side, one key issue is the treatment of contracts denominated in a European currency.

The European Commission has pledged that contracts will not be disrupted by Emu, and plans to issue a legal framework to guarantee this next month. But many companies are now examining the small print of their contracts, particularly for long-term debts or bond issues.

Some have no debt which extends beyond 2000. Others have concluded that they will shun Ecu instruments, because of uncertainties about how the Ecu will be converted into euros.

Meanwhile, others, like ICI, are considering whether to redenominate long-term debts into euros. In theory, bonds need not be redenominated before 2002. But Paris has already warned that it intends to switch over its financial markets as quickly as possible after 1999.

Another issue is treasury management. Emu should lead to significant cost savings for treasury operations. But Shell and other companies have concluded that it will also generate significant changes in areas such as pension fund portfolios.

Yet another issue is the treatment of shares. If the UK stays outside Emu, most companies will probably still be quoted in sterling. However, some large groups are considering entering a euro market, particularly if it is more liquid.

These debates remain preliminary. Nevertheless, the crucial point from the analysis so far is that many UK companies cannot avoid being affected by Emu – even if UK politicians shun the project.

Consequently, the question now is whether enough companies will take the issue sufficiently seriously to avoid being hurt in 1999. Although the UK's industrial giants might be grappling with the issue, the key concern is whether the smaller companies are ready to follow suit.

"Some British people have not yet realised Emu is on the agenda," says Cable. "But if they don't start preparing there is a real danger they will be caught out."

A need for early planning

Whatever else is uncertain about European monetary union, one thing is clear. In the next year demand is set to surge from UK companies for practical advice on Emu.

The Confederation of British Industry and British Chambers of Commerce are already trying to respond: they recently established a research project on the implications of Emu for UK companies. But their conclusions will only emerge later this year, and in the interim it can be hard to find information that answers basic questions for companies.

One document that partly fills the gap is a recent report from the Association for the Monetary Union of Europe. The study hopes all European Union countries will participate in Emu. But although a UK audience may need to filter the report, it provides a useful outline of the issues.

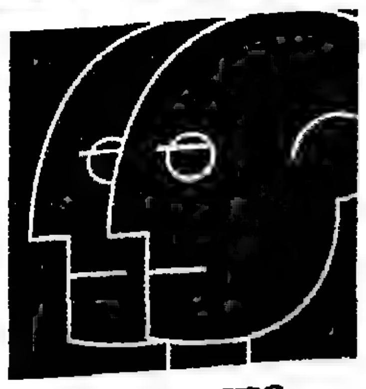
The report says that early planning is essential for Emu.

Companies, it argues, should be setting up special committees to study Emu. By the middle of 1997 they should be training staff and operating working parties on each of the detailed problems. These should cover the finance, administrative, marketing, personnel, legal and IT departments, it argues.

The report suggests that the key issues for companies are:

- coping with the introduction of a new currency for accounting and pricing purposes;
- paying taxes and issuing accounts;
- the legal implications of the switch;
- the impact on IT;
- communicating the change to customers;
- considering how Emu could affect their longer term marketing strategy.

Managing the Changeover to the Single Currency, AMUE, 26 Rue de la Pépinière, 75008, Paris, France. Tel: 33-1-45-22-33-54.



PARTNERS

Burford Group

Nigel Wray, 48, and Nick Leslau, 37, became partners in 1988 when Nigel took over the property company Burford Group and Nick stayed on as chief executive. They bought the Trocadero in 1994, which was demerged and floated last year. Burford made £15m in pre-tax profits in 1995.

Nigel: "The most important thing about any company is the person who is running it. If you've got a great business and an idiot in charge, the idiot will always win. Nick is an extraordinarily able entrepreneur so I leave it up to him.

He brings in the ventures and the deals whereas I get involved with the stock market side. It was Nick's idea to buy the Trocadero and mine to float it as an individual company. There's a certain amount of interplay although I'm primarily the financial strategist. He's surprisingly mature for his age. He sees things in the medium and long term, rather than a lot of young guys who want to make a fast buck today.

Somebody wanted to put a tits-and-bums nightclub in the Trocadero for a very big rent but Nick refused. When I heard that story I thought, 'how much?' then realised that's one of the reasons why Nick's so good. It would have made us a quick profit but in the long term it would have been wrong for the image.

He works much harder than I do. I think someone in an organisation needs to be relaxed and take a wider view, so I'm constantly trying to work less hard. There's a nice buzz about Burford because we both know what we're trying to accomplish and we're both very unpolitical."

Nick: "Like me, Nigel is an old Mill Hillian, although the age difference meant I knew of him long before he knew me. When he took over Burford it wasn't an aggressive bid so I was happy to stay on running the company. It was a case of suck it and see and something just clicked.

He's an incredibly nice guy, with a tremendous grasp of ideas and a wonderful feel for the balance sheet. As a partner he knows when to get involved and when not to. He's more patient than I am. I want it all yesterday, whereas Nigel is happy to wait until tomorrow.

I learned very early on to say 'I haven't a bloody clue' when it comes to numbers. He once grilled me for six hours on an aircraft about a ground rent figure I'd given him. It was half correct, but half wrong, and by the end of the journey I was pretty fed up.

We share the same business philosophy and have similar lifestyles in that neither of us is flashy. We're not into corporate jets or grand company cars.

As chairman he takes a more strategic look at the business. When I've made my first £100m I won't work so hard but I've got 11 years to catch up on him. I respect him enormously. Even if he wasn't older and a bigger shareholder, I'd still hold him in the highest regard."

Fiona Lafferty

Keep conflict out of the office

Lucy Kellaway

Losing your temper is good for you. I read this in the paper the other day and felt comforted to see an expert extolling the benefits of a good wobbly. He was writing about home, but now I learn that the same applies in the office.

According to Strategy & Business, the quarterly from Booz-Allen & Hamilton, conflict is good for work teams, too. The author points out that teams are not the harmonious groups of people with complementary skills that they are cracked up to be, but are riddled with conflict.

The best way of dealing with this conflict, she says, is to bring it to the surface. To that end she has developed models, matrices and workshops for the safe detonation of friction, so that teams can let it all hang out and creativity can prosper.

I am doubtful whether the matrix approach would do much for my grievances and petty resentments; in any event I see one of my main skills as the ability to sit on these negative emotions. People who do not have this ability are a nuisance to work with; most of them tend to get the sack, while a small minority tend to become the boss.

Home is the place for tantrums and throwing saucepan lids; work is for work. Office life should be smooth and professional and that means suppressing conflict. If we all decided to voice even half the things we really felt about our jobs and our colleagues then going to work would become about as peaceful as visiting Bosnia. So much better to smile at your maddening fellow team members, concentrate on the job in hand and kick the dog when you get home.

An interesting document has made its way into my hands called Innovation Within the European Dairy Industry. I've long been a follower of the dairy industry: in the 1960s I marvelled at the exoticism of strawberry Ski yoghurt, now I can weigh up the merits of live yoghurt, set yoghurt, French-style yoghurt, low-fat yoghurt, virtually fat-free yoghurt, organic yoghurt, fruit corner yoghurt, country yoghurt, custard-style yoghurt and thick and creamy yoghurt.

You could say that when it comes to innovation the dairy industry has already gone way beyond the call of duty. However, according to this report, innovation is not just a matter of NPD (which us cognoscenti know means new product development) but of "Total Organisational Philosophy".

Unfortunately I can't afford to find out what that means. I possess a three-page summary of the report; the full version costs £7,500. That sum could keep your whole family in fat-free fromage frais for generations.

It has been a great week for the "total" concept. In addition to Total Organisational Philosophy, I have also just come across the simpler but no less puzzling concept of Total Management. This autumn The Economist is running a conference called Total Management: Managing Cross-Functional Businesses. Now if Total Quality Management means doing things well, then does Total Management just mean doing things?

I can think of a superior title for a conference: Partial Management. This means only doing *some* things. Because managers are more likely to mess things up if they intervene than if they leave well alone, they should consider easing up and letting others get on with their work.

So Dixons appears to be in the doghouse for not following Greenbury on remuneration committees. I have some sympathy with Sir Stanley Kalms: so long as he does not set his own pay, I don't see why he shouldn't chair the remuneration committee. My boss sets my pay, after all. Equally I sympathise with the small company William Cook, which wrote in last week saying that it had no independent directors; instead of flapping about such issues it concentrates its energies on making widgets.

The existence of an "independent" remuneration committee is no guarantee that pay rises will be reasonable, neither is the absence of such a committee in itself a sign that directors are feathering their nests.

Surely disclosure is the issue; and the powerful check comes from shareholders themselves and the media. I expect the rumpus last week caused by the moving expenses paid to a director of Matthew Clark is going to be more effective than any committee in making companies refrain from paying the boss nearly £500,000 to move from one neo-Georgian pile to another 100 miles away.

صكنا من الاصل

Entrepreneurial spirit is on the increase at US business schools, says **Victoria Griffith**

Winner takes all

When students at the Massachusetts Institute of Technology's Sloan School of Management competed for the annual entrepreneurial prize a few years ago, it was usually in sporting fun. Students often entered with multiple ideas and scant preparation, regarding the competition as little more than a learning experience.

Today, the awards are treated with utmost seriousness. The prize has been increased to $50,000 (£33,000) this year, up from $10,000 previously, and one mastermind of the 1996 winner – an Internet call server dubbed "Webline" – will take a leave of absence from Sloan to launch the business.

The change in attitude marks a new focus on entrepreneurship at business schools around the US. Students who once seemed destined for jobs with large companies are increasingly likely to strike out on their own.

Business schools are responding to the trend. Kellogg, the business school arm of Northwestern University, offers 11 courses in entrepreneurship, up from just three in 1991. The university says enrolment in its entrepreneurial classes jumped 86 per cent per cent last autumn compared with the previous year. Other business schools around the country – including Wharton, Stanford and MIT – have been expanding their programmes in the discipline, and many point to their venture capital clubs as the most popular clubs on campus.

A growing number of students are not waiting until graduation to test their entrepreneurial skills. Many find business schools – with plenty of free advice and easy access to contacts – the perfect incubators for start-ups. The Wharton School has spawned at least four new companies this year.

"Business schools are having to be increasingly flexible to accommodate students who might want to take a light course load while trying to start their own business," says Joost Bonsen, who runs the entrepreneur competition at MIT.

Societal trends are fuelling the interest in entrepreneurship. One important factor is the growing insecurity students feel in the established corporate world. "It used to be that you got on the escalator and rode it to the top," says Irving Grousbeck, a professor at Stanford University's business school. "But now, someone might kick you off midway. Downsizing means there's no longer the same loyalty to large companies."

Students may also hope to repeat the success of Netscape and Yahoo – two Internet companies that rapidly struck gold. The advent of the "virtual corporation" has also made life easier for start-ups. Executives can run a sophisticated operation from a desk at home and still feel connected to clients, suppliers and investors.

Some entrepreneurs say they strike out on their own to achieve more flexible scheduling. Women and minorities – who are attending business schools in growing numbers – fear that they will soon hit a glass ceiling in the traditional corporate world. "Starting my own business gives me flexibility in my personal life, and means I don't have to feel that being a woman and having a family will limit my success," says Addie Swartz, a Kellogg graduate who operates a children's software consultancy.

Yet the growing interest in entrepreneurship poses a dilemma for the business schools, which are more famous for honing focused skills such as marketing and investment analysis. Some observers doubt that entrepreneurship – which depends on a willingness to take risks that seems inborn – can be taught at all. Yet business schools insist it is possible to create an effective curriculum.

"You cannot teach someone to become a Bill Gates, just as you cannot teach someone to compose like Beethoven," says Howard Stevenson, a professor at Harvard's Graduate School of Business Administration. "But you can teach someone notes and scales, give them the tools they need to become a composer. And you can teach the tools people need to be entrepreneurs: how to come up with a business plan, basic fund-raising mechanisms. The key is to teach students to be generalists, because an entrepreneur has to handle all aspects of the company."

Other schools try to instill the right attitude. "It's important for students to see the successes, but it's also important for them to see the failures," says Kellogg professor Steven Rogers. "That way they know if it doesn't go right, their lives are not going to end. For a lot of people at business school, who've never faced failure in their lives, that's very important."

Rewards for potential

Being a 'clever clogs' is not enough for success

What makes a successful manager? Is it entrepreneurial flair or a head for figures? Is it technical know-how or personal charisma that produces the results?

Such are the sort of questions posed every year at Cranfield School of Management, in the UK, to determine which of that year's full-time master of business administration (MBA) students should receive the Odgers Prize as potentially the group's most successful manager.

'Being short-listed by their peers is the greatest single accolade . . .'

The prize was devised by Ian Odgers, chairman of Odgers, headhunters. His view was that there should be a prize which recognised more than just academic brilliance when selecting potentially successful managers.

Many of the criteria are obvious: successful candidates should have a vision of the future and display individuality, should demonstrate political astuteness and commercial opportunism and have some degree of charisma and command respect. But they should also be tough, a characteristic which is often difficult to find in MBA students because they have not risen far enough up the corporate ladder to demonstrate these attributes, says Odgers.

This year Julian Williams, a business development ace in the alcoholic drinks market, won the award, beating five other short-listed students in the final interview phase. The shortlist is drawn up by the other MBA students on the course, and some years competition is so fierce that students have gone round canvassing for votes, says Leo Murray, director of the school. "Whatever the final result," says Murray, "being short-listed by their peers is the greatest single accolade they could achieve."

Della Bradshaw

BUSINESS TRAVEL

Travel News · Roger Bray

Liability curbs end

Improved compensation could be on the way for passengers injured in airline accidents – and for the relatives of those killed. Leading airlines have proposed that liability should no longer be limited by international agreement but should reflect awards made by courts in the country where the traveller lives.

The existing limits on airline liability under the Warsaw Convention are $75,000 (£48,387) in the US, double that in Europe and $350,000 in Australia, for example. These amounts may not be adequate to compensate for the loss of a high earner. To get more you must take costly legal action to prove negligence, but under the proposed new system passengers will no longer have to show that the airline is at fault.

The limit has been kept low in the US, with its culture of litigation, by the assumption that everyone there will sue anyway in the event of an accident.

The International Air Transport Association says 52 member airlines, including most of the world's biggest carriers, have agreed the change.

Ethiopia warning

The UK Foreign Office has warned travellers to be vigilant in Ethiopia, where bombs have been going off at hotels in the capital, Addis Ababa. An explosion in the Wabe Shabelle hotel earlier this month is reported to have killed one person and injured 11 others, including a European.

It is believed the bombs may have been planted by Ethiopian Somalis from Ogaden, where separatists have been fighting a battle for autonomy.

Typhoid alert

The former Soviet state of Tajikistan, in central Asia, continues to suffer from an outbreak of typhoid. The World Health Organisation reports between 30 and 40 new cases every day.

The outbreak has been blamed on ageing and badly maintained sewage systems which overflowed after heavy rains earlier this year, contaminating drinking water.

India takes off

Competition continues to pump oxygen into India's once-stagnant domestic airline industry.

Jet Airways has just launched services between Delhi and Calcutta, completing the triangle which includes Bombay. Flights on the new route operate twice a day in both directions, allowing business travellers to make day trips. The airline operates 11 Boeing 737-300s and 737-400s on 23 routes.

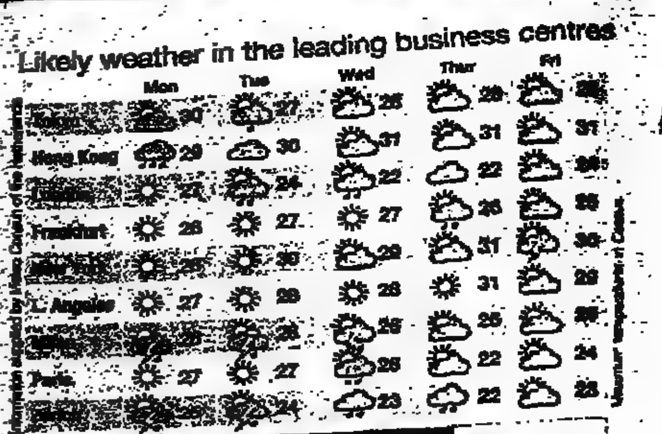
Flight times fall

International airlines could start commercial flights over North Korea as early as December, cutting journey times from Europe and the US to Asian cities.

This follows agreement by the Pyongyang regime, which is believed to be keen to earn revenue from flights through its airspace. Airlines hope that new, more direct, routes to destinations such as Hong Kong and Seoul could be established permanently from next year.

The move could benefit passengers on up to 60 services a day, including those between North America and cities such as Taipei.

Airlines may at last be able to offer non-stop flights from Chicago and Toronto to Hong Kong. British Airways, which diverts its flights south over Japan, says it would cut journey times by up to 90 minutes.



How to stay cool on the road

Scheherazade Daneshkhu offers advice for stressed executives

Is business travel bad for your health? Most executives travelling more than 100 miles regularly on business suffer from stress-related symptoms, according a survey of company directors.

Almost two-thirds of the 350 senior managers of UK and international companies surveyed by The Athenaeum, a London hotel, said they suffered physically, particularly from fatigue and aching limbs.

The rest said they suffered most emotionally or mentally, with 15 per cent admitting to violent tendencies and a few citing paranoia. Almost half believe that travelling regularly carries a greater risk of bad health than being bound to their desks.

Most blamed travel stress on transport problems, but a quarter blamed themselves. More than half said that speed was the deciding factor in choosing type of transport, which explains why missed connections and delays were cited as causing most stress when travelling.

On arrival, missing luggage and inexplicable queueing procedures were most likely to anger business travellers. A double-booked room and lack of heating or air conditioning were the two most likely irritants at the hotel.

Sally Bulloch, executive manager of The Athenaeum, says: "Business travellers are not that demanding of hotels, but missing a wake-up call before a meeting or flight, or fire alarms going off in the middle of the night, can make the mildest person abusive."

Dr Antony Ashe, a general practitioner who treats a number of business travellers, says there is growing awareness among doctors of the detrimental effects of stress caused by business travel, but says that little is being done to evaluate the impact on both the individual and business.

Professor Cary Cooper, an organisational psychologist at the University of Manchester's Institute of Science and Technology, says senior executives usually do not admit to stress, and recognising the problem is a good first step. "Most will say they had a great flight or a good trip because redundancies have led to fear in the corporate culture of showing you are weak in any way."

Dr Ashe says executives often do not even realise they are stressed. "Some patients who use aeroplanes, like taxis, say they don't feel stress because they fly first class and are chauffeured to and from their destinations."

One problem is that instead of avoiding work, more than three-quarters of executives choose a form of transport which allows them to work. Just under 60 per cent travel with a laptop computer, and 85 per cent either always or sometimes carry a mobile phone.

Dr Ashe says that working while travelling is usually a mistake. "When you are flying through time zones you may not be aware that your body is trying to wind down, so you keep working. You may feel you have achieved a lot, but the long-term effects from not switching-off can be more counter-productive."

Stress can lead to increased blood pressure and a rise in cortisone levels which can reduce the effectiveness of the immunity system, says Dr Ashe. This can make those who push themselves hard more vulnerable to illnesses such as flu, which in turn can mean taking days off work.

Prof Cooper says the cost to companies can be much greater than the cost represented by days off for illness. "Companies have usually invested a lot of money in these people, but if they are subject to a lot of stress they will either burn out or make the wrong decision."

He cites the case of work pressure on Nick Leeson, who amassed £830m in derivatives losses at Barings, the UK merchant bank that collapsed last year. "Look at what it can cost your company. Barings was an extreme case, but even if someone makes a mistake on one small detail on a contract, it can cost a lot of money."

To take the stress out of business travel, companies and executives should:

- Allow more time. The survey found that driving was considered the most stressful form of domestic travel and that 35 per cent of executives suffer from road rage. "Successful businessmen tend to be those working on a tight schedule and they get angry if things don't go to plan," says Dr Ashe. "But it is difficult to relax in traffic, so try to avoid travelling on the day of the big meeting. Get there earlier and acclimatise."

Prof Cooper says it is particularly important to have "unwind time" when crossing time zones. "You shouldn't get off a flight and go straight to a meeting – allow a day between arrival and the big meeting." Travelling first class is not necessarily the answer. "I can't sleep on a plane whatever the class of travel might be, and if your plane is delayed, flying first class makes no difference," he says.

- Eat the right food. "A lot of people are malnourished. They may eat the right amount of calories, but they might be short on vitamins and minerals," says Dr Ashe. Airline food tends to be high in calories and low on roughage. "Although it may be impossible to avoid eating on the hoof, make sure you also get a decent meal such as meat and two vegetables."
- Alleviate loneliness. Prof Cooper believes companies should pay for calls to home. "Many do telephone, but they make it quick and feel guilty about it. But if they can talk longer and say what their day was like, they will feel tied back with their home, which will help ease the loneliness."

He also believes that companies should occasionally pay for partners to travel as well. "Margaret Thatcher took her support system – her husband Denis – with her. She knew the importance of that better than anyone." The survey found that 72 per cent would take their partners on a business trip if given the chance.

- Relax. Dr Ashe says exercise is important and is a good way to unwind. Take a long walk, or spend time in the gym on arrival, but also do not feel guilty about doing nothing by relaxing for half an hour.
- Avoid travelling. Prof Cooper believes companies wanting to get the best from staff should ask whether a trip is necessary, given that information technology, such as video-conferencing, is widely available.

Amon Cohen on Delta's plan to aid laptop users

More power to your elbow

More business travellers are using their laptops while airborne, even though work grinds to a halt when the battery runs flat.

Delta Air Lines thinks it has found the solution: it claims to be the first carrier to offer an in-flight power source for laptop computers.

It is offering the complimentary facility, EmPower In-Seat Power Supply, to first-class passengers on one of its domestic Boeing 767s for a six-month test.

The EmPower system, developed by Olin Aerospace Company of Washington state, provides a power source directly at the seat via a standard interface cable, which allows passengers to operate and recharge while in the air.

Since each seat also contains a telephone, passengers can use the new facility to send and retrieve e-mail, although they need to provide their own connecting cables.

This news from Delta marks the latest move by airlines towards providing an office in the sky. Many US and Asian carriers offer outgoing telephone services, and some take incoming calls as well. A few airlines also have on-board fax machines.

Within Europe it is difficult to find any telephone services at all. The 767 on which Delta is conducting its laptop test will be a guinea pig for another experiment later this year.

- Flights between the UK and South Africa are getting cheaper, *Roger Bray writes.* With Virgin Atlantic launching services in October, Dutch airline KLM has cut its lowest round-trip fare to Johannesburg via Amsterdam by more than 25 per cent to £439. KLM is also offering Cape Town for £523 for the same period, from September until the end of November.

Virgin's cheapest return fare at present is £720. The UK airline has been negotiating with South African operator Sun Air with an eye to providing connections to Durban and Cape Town.

Sun Air was formed as the national airline of former homeland Bophuthatswana. Appropriately – given Virgin's musical origins – its earlier name was Bop Air.

SPORT / ARCHITECTURE

Michael Thompson-Noel · Sport

Has Nationwide got a pig in a poke?

Funny business, sports sponsorship. Some sponsorships, such as Carling lager's link with England's elite Premiership soccer division, resonate with common sense: Carling, sixpacks, hairy soccer stars, machismo, sex. Nothing could be simpler.

But try twinning Nationwide Building Society – the UK's second largest – with the English Football League, and see how long it takes to work out a rationale for Nationwide's three-year, £5.25m sponsorship of the league, which started at the weekend along with the league's new season.

The Premiership has 20 clubs, most of which are pretty valuable. Below them come the 72 clubs (in three divisions) of the Football League, many of which are seriously penurious. For some, extinction looms. So what persuaded Nationwide, an aggressive provider of home loans, to sponsor a soccer competition that has become a byword for financial struggle and strife?

There *is* an answer, but you need professional help to get it. Brian Davis, Nationwide's chief executive, says: "Nationwide is an organisation with strong roots in the community, and we are always looking at ways of promoting awareness of the benefits we can offer and of further strengthening customer relationships."

Gordon McKeag, the league's president, makes the same claim. "The reach and geographical spread of both Nationwide and league football," says McKeag, "demonstrate that we have common interests deeply rooted in the fabric of local communities up and down the country. It would be difficult to imagine a more perfect marriage."

Nationwide has spent beefy sums on sports sponsorship before, primarily on athletics and hockey, but nothing as big as this. "The key rationale," said a spokesman, "is to help increase awareness of Nationwide as the largest building society committed to remaining a building society [owned by its customers]. I could think of three or four good sponsorship opportunities on this scale, but this was the one that was available."

At the league's HQ, there is cheer at the prospect of so much BSkyB TV money – £25m a season for five years – coming into the league. BSkyB plans to screen more than 60 live league games per season.

But there is worry over players' earnings. "Overall – Premiership plus league – salary bills have grown by 80 per cent in four years," said a spokesman. "In the league alone: 63 per cent. How long that can be sustained is anyone's guess." There is even the chance of a players' strike over the distribution of TV income.

Yet the financial precariousness of league clubs can be over-dramatised. Many are extremely small operations in charmless catchment areas. They have one supreme skill: surviving as ... extremely small operations in charmless catchment areas.

And there is always a chance that some new millionaire or big-name coach will throw in his lot with one of them. Terry Venables, former England coach and former Crystal Palace, Queens Park Rangers, Barcelona and Tottenham manager, has become the new supremo at first division Portsmouth, a club said to be losing £7,600 a day. Much of Venables' time is taken up with legal actions at present, but if he stays at Portsmouth it could shoulder its way into the Premiership.

"I was told there are investors waiting to put money in," he said last week, "but that hasn't happened yet. They were probably waiting to see if I actually joined the club, and I hope things will really take off now."

Nationwide would like to see plenty of Venables-style stories this season. If not, it had better launch a lager.

Ex-England coach Terry Venables (centre) has now thrown his hand in with loss-making Portsmouth

■ Not unreasonably, Mitre Sports, Britain's leading maker of footballs, has thrust itself into the limelight to claim part of the credit for the exciting play that has helped transform England's Premiership division into Europe's richest soccer competition.

At a cost said to exceed £3m, Mitre has renewed its agreement to supply footballs to English Premiership clubs until 2000 – underlining, it says, the proven quality of its Ultimax match ball, which will be used this season by all Premiership clubs except Chelsea and Manchester United.

The Ultimax retails in Britain at £50, and has helped earn Mitre 60 per cent or more of a UK market worth approximately £40m. (Its cheapest football costs £4.99). The Ultimax is also the exclusive match ball of England's Football League and of America's Major League Soccer, as well as many top leagues and teams worldwide, from Europe to Australasia.

Mitre has been based in Huddersfield since 1817 and is part of Pentland Group, the UK's largest sporting goods company. Other sports brands wholly or partially under Pentland's sway include Berghaus, Speedo, Ellesse, Kickers and Lacoste.

Mitre says the Ultimax is a fully aerodynamic, 26-panel ball that incorporates an exclusive soft-touch micro-fibre material. The ball's "revolutionary performance" and "absolutely true flight", it maintains, are "now acclaimed as a major contributor to the attractive football witnessed [in the Premiership] last season".

But hang on. The Ultimax wasn't the match ball for Euro 96, was it? "No," says Mitre, "that was Adidas." And it isn't the official ball for the upstarting World Cup? "No," agrees Mitre, "that's Adidas as well." So Mitre, for all its venerability and technological prowess, still has a bit of prestige and market share to go for? "Absolutely," says Mitre.

■ Ivan Lendl used to try to destroy opponents. Now he is happy just to find his ball. As a tennis star, Lendl, 36, won eight grand slam titles, but had to retire two years ago with chronic back trouble. Now he is trying to hack along as a golfer, returning to his homeland last week to make his first start in a European Professional Golf Association tour event at the Czech Open in the spa town of Marianske Lazne.

Lendl's handicap is two, and he averages 72-78 per round, though he admits he is not yet ready to become a PGA tour regular. "I take it as a success when I end up in the first third of the opening round," he says.

The sponsor of the Czech Open – the Prague-based chemical conglomerate Chemopol – gave Lendl a wild-card entry, and tournament adverts across the country featured Lendl exclusively, golf club in hand. "My goal is to get to the level where I would never have to look for a ball," said the former tennis terror. As it happened, he scored quite dreadfully.

Colin Amery · Architecture

A mission to civilise the century

The last few weeks have seen the deaths of two of the longest lived and, in their way, most influential modern designers in Britain. Sir Geoffrey Jellicoe, who was 95, was the most significant landscape architect of his time. He spanned the century and was working to the end of his life. And Dame Jane Drew, who was 85, created, with her second husband, Maxwell Fry, a firm that had enormous influence.

Jane Drew made the world safe for women architects, and Geoffrey Jellicoe created the profession of landscape architecture. They belonged to that immediate post-war world in which architects believed they had a divine mission to change the world.

In the 1930s Drew was a member of the Modern Architecture Research Group, an assembly of architects, artists and industrialists with a mission. Drew later wrote: "We were terribly arrogant, we thought we could plan the world, certainly plan a new basis for life."

They contributed to the image of the all-conquering architect, which has been a blessing and a curse. But their achievements are so large they outweigh the arrogance.

It takes fantastic energy to create a new city in India, new towns in Britain and important new landscapes in Britain and the US.

Chandigarh, the capital city of the Punjab, occupied Jane Drew and her husband from 1951. She worked closely with its creator, Le Corbusier, and with the Indian authorities, particularly Pandit Nehru, encouraging him to recruit young Indian architects. Nehru wanted the new capital to be "symbolic of the freedom of India unfettered by the traditions of the past".

That was wishful thinking. The end result is very much an imposed western vision, but Drew modified the most extreme elements of Le Corbusier's designs. Her own buildings at Chandigarh are simple, modest and deferential to the climate. She built government and private housing, health centres and schools. Prototypes of the houses were lived in by the inhabitants before being built. That early form of public consultation was not, alas, continued in the UK.

Most of Drew's work was in the newly independent British Commonwealth countries, especially in west Africa and Ceylon. She established the School of Tropical Architecture in London at the Architectural Association, which became an important seed-bed for the nurturing of modernism for the new world. She will be remembered in the UK for her buildings for the Institute of Contemporary Arts and the Open University.

Jellicoe's influence will be remembered by those fortunate enough to have had their gardens made by him, and by the public who visit the Kennedy memorial at Runnymede and the 25 acres of the Moody historical gardens at Galveston in Texas.

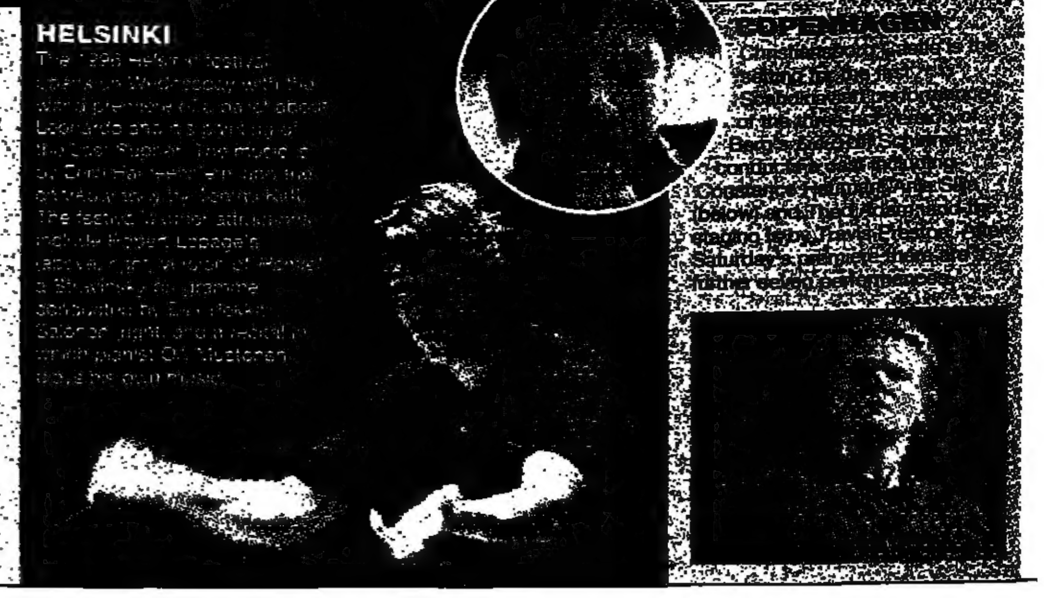
His pioneering study on the Italian gardens of the Renaissance established the importance of linking architecture and landscape. He understood the importance of the spirit of place, the *genius loci*, and made it accessible. He was able to modify motorways, enhance power stations and reduce the impact of industry on the delicate English landscape.

Both these pioneers helped civilise the century. They should not be forgotten.

ARTS

LONDON
On Wednesday Shakespeare's Globe (below) finally opens on Bankside. A short prologue season of *The Two Gentlemen of Verona* runs until September 15, with the Globe's artistic director Mark Rylance (left) in the role of Proteus. The aim is to present the works as authentically as possible. Admission for the groundlings is £5.

EDINBURGH
The main theatre highlight this week at the Edinburgh Festival will be Carles Santos's *L'esplèndida vergonya del fet mal fet (The Splendid Shame of the Dead Badly Done)*, a work performed in Catalan by an artist who has been compared to Pedro Almodóvar. It opens at the King's Theatre on Friday. James MacMillan's (left) first full-length stage work, *Ines de Castro*, is premiered by Scottish Opera at the Edinburgh Festival Theatre, also on Friday. MacMillan's libretto is based on a play by John Clifford, telling a story of love, politics, murder and revenge in 14th century Portugal. Helen Field heads the cast in a staging conducted by Richard Armstrong.



HELSINKI

Martin Kratochvil: the brainchild behind Bonton who snapped up the former state record company Supraphon and its priceless archives

Boom-time for Bonton

Andrew Clark reports on a Czech success story in the electronic entertainments business

By the end of summer, just as Michael Jackson sweeps into view for his first Prague concert, the Czech Republic will have its first mega-store devoted to entertainment. To western eyes it represents a small step down the road to consumerism. But in Prague – where pop culture was frowned on until seven years ago – the opening of Bontonland marks the coming-of-age of an independent electronic entertainment industry.

Situated on a prime site in Wenceslas Square, Bontonland will sell compact discs, videos, electronics, food and drink. It is the latest chapter in the success story of Bonton, a Czech company which has profited from the post-communist vacuum in home-grown music and entertainment. In the six and a half years since the Velvet Revolution, Bonton has developed from a four-man band into a conglomerate of 15 companies embracing radio, film and music. Its turnover in 1995 was Kcs700m (£18m), a figure which will nearly double in the current year.

Like other commercial ventures in newly-democratised eastern Europe, Bonton paid bargain prices for assets bequeathed by communism – notably the back catalogue of the former state record company, Supraphon. But unlike numerous counterparts elsewhere, it never sold out to foreign control in the post-revolutionary scramble for investment and growth. Only 27 per cent of its shares are owned by foreign institutions. As such, Bonton is an all-too-rare case-study in how to thrive and maintain independence in the transition from communism to capitalism.

Bonton is the brainchild of Martin Kratochvil, a jazz musician who studied in the US after the 1968 Soviet invasion of Czechoslovakia. On his return in the late 1970s, Kratochvil founded a recording studio, initially to produce his own music for film and television: the authorities turned a blind eye because they thought jazz, unlike rock and roll, was not dangerous. When Czech communism collapsed, Kratochvil had a commercial edge over his competitors. Not only did he own ready-to-release master tapes, he was also a friend of Václav Havel, leading dissident and future president. Bonton's first recording was of Havel reading his protest play *Audience*. People queued to buy it, and sales reached 100,000.

Six months later, when the Rolling Stones visited Prague, Bonton negotiated a licensing deal for their *Steel Wheels* album. Although it sold at three times the price of other records, there was no shortage of buyers. Cash in hand, Kratochvil and brother-in-law Michael Kocab dived into other investments. Teach-Yourself-English on cassette was followed by *Tank Battalion*, the first privately-produced film in the former Soviet bloc.

The timing was perfect. Based on a popular anti-communist novel by the dissident Czech writer Josef Skvorecky, the film was an instant box-office hit. Worldwide rights for Bonton's second movie were snapped up by Columbia Tristar. Kratochvil used the profits to found Prague's first commercial radio station, and from there it was but a short step to video. Bonton now controls 42 per cent of film distribution in the Czech Republic.

Its latest success is the country's first cinema complex, Galaxie: with 10 screens, plus restaurants and other facilities, it snatched a third of Prague's cinema business within weeks. Citing a 50 per cent slump in cinema admissions since the revolution, Kratochvil sees the Galaxie concept as a marketing tool to drive the Czech cinema industry out of depression.

But the jewel in Bonton's crown is Supraphon. Under communist rule, Supraphon had a virtual monopoly on record production, music publishing and retail outlets. It was a slow-moving bureaucracy which followed the Party line. But thanks to Jaroslav Seda, artistic director between 1953 and 1978, Supraphon built an archive of recordings of music by Czech and Slovak composers, at a time when standards in Czech musical life were at an all-time high.

In 1990, deprived of state financial support in the new free-market world, Supraphon collapsed. Havel and other luminaries were anxious that such a valuable national resource should remain in Czech hands. When Bonton took majority control in 1993, it inherited Kcs180m of debt and a legal headache: most of Supraphon's 142 shops were the subject of property restitution claims, and Bonton ended up with 23. But it also inherited 70,000 master tapes – a treasury of Czech music from the baroque era to the present.

After divesting its publishing and retail arms, and handing over its pop interests to Bonton Music, the reconstituted Supraphon set to work on the archives. Its recordings sell for less than foreign imports, making them particularly attractive for tourists. And with improved marketing and distribution, exports now account for 25 per cent of sales. Supraphon has also returned to its traditional role as a record producer – partly to showcase up-and-coming Czech artists, partly to provide a continuous archive for posterity, and partly to plug important gaps, such as music by Schulhoff and Fibich. This, rather than Mozart and Beethoven, is where Supraphon finds its niche.

But Bonton's priority is to make money – and given the international slump in sales of new classical recordings, Supraphon's profitability lies in its back catalogue. Re-issuing a vintage Janáček opera on CD, in good stereo sound from the 1960s, costs 10 per cent of the cost of a new set. Supraphon's 1996 budget for new recordings amounts to a mere Kcs8m (£200,000) – of which nearly half comes from commercial sponsors.

With Supraphon now established in the Bonton stable, television is the only electronic entertainment market which Kratochvil has yet to crack. But the question remains: why has he succeeded where thousands of other entrepreneurs have gone boom-and-bust? Kratochvil, 50, had the advantage of being first off the mark in a small, well-contained market. Having friends like Havel was a help, and he pays tribute to the way the Czech privatisation programme was implemented: "It was clear-cut, with no conditions attached – unlike other east European countries, where there have been attempts by the state to keep an influence in companies after the sale."

Kratochvil was wise enough to recognise his own commercial inexperience. After the initial boom, he brought in American business graduate Mick Hawk, who installed the necessary financial disciplines. But he recognised that Bonton had to take risks to profit from the vast opportunities in the newly-privatised Czech market-place. "We poured all our money into *Tank Battalion*," recalls Hawk. "It *had* to be a success. And from that came all the other ventures."

Supraphon was another huge risk: before the purchase, Hawk had little idea of its assets and liabilities, and many observers predicted it would drag Bonton into bankruptcy. But two months after paying Kcs15m for Supraphon, Hawk sold the Japanese distribution rights to Nippon Columbia for nearly five times that amount, in what he calls "the deal of the century. We grew so quickly, but the growth was fuelled by cash flow. We've also tried to play the Czech card as strongly as possible, because that's where our advantage lies. In every field, our only competitors are foreigners."

By the end of 1994, Bonton was ready to widen its financial base, raising £6.5m in a private share placement which saw the value of the original shares jump from £200 to £25,000. The company has yet to pay a dividend, but it hopes to go public next year.

Hawk says the key to Bonton's success is its focus on entertainment. "There have been endless possibilities for investment these past six years, and Martin [Kratochvil] would have loved to try them all. But too many companies in eastern Europe have gone out of business because they went crazy, expanding into areas they couldn't manage. They lost their focus. We have stuck to what we know, and it's been a great ride."

Edinburgh 96

Recitals to be compared

Two bass-baritones sang Edinburgh recitals last week: Bryn Terfel, the Welshman and toast of the whole operatic world, to a packed Usher Hall on Thursday night, and the veteran Finn Tom Krause to the no less packed – but much smaller – Queen's Hall the next morning. They even sang two of the same Schubert songs. Much to enjoy in each recital; much to think about in the comparison.

Terfel is in magnificent young voice. One might say in his prime, but that would be to pre-empt judgment about the next decade or two. He is so remarkable a performer and artist that he may astonish us with new levels of maturity. His natural ebullience and buoyancy remind me of nobody so much as the Krause of 30 years ago. Now, Krause at 62 is a dignified, warmly engaging artist with reduced vocal means (he pleaded a slight throat infection, but the voice has been audibly ageing for some time).

Nonetheless at the end, like Terfel with his lusty Vaughan Williams songs, Krause rose to commanding power – as much interpretative authority as force – with Mussorgsky's *Songs and Dances of Death*. Earlier his Schubert songs had been beautifully sketched (though one had to play join-the-dots a bit), his Strauss ones genuinely moving, his Sibelius group naturally easy and heartfelt. His marked Finnish accent in German is appealingly down to earth.

Terfel's display was triumphant, even triumphalist. He played with the audience, praised the hall, sang a Welsh encore to the audience seated behind and above him on the stage. He applied all his operatic resources to his Schubert *Lieder*. Only a performer with his supercharged charisma could have got away with acting out "Die Forelle" so elaborately; but he did impersonations for the first-person singers of "Rastlose Liebe" and "Ganymed", too, which struck me as both original and vividly apt.

He misjudged how far his dramatic pianissimo would penetrate (in fact it was nearly inaudible in row O). His German is excellent; in French – he characterised Ibert's Don Quixote songs with great imagination – he sings nasal "on"s exactly like "an"s, which needs correcting before he finds himself making unfortunate puns. Terfel's superb diction is almost an unnecessary bonus, but he might as well get it completely right.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Amsterdamse Bach Solisten: with conductor Marc Minkowksi and flautist Marieke Schneemann perform J.S. Bach's Suite for Orchestra Nos. 1, 2, 3 and 4; 8.15pm; Aug 20
● Noordhollands Philharmonisch Orkest: with conductor David Porcelijn and pianist Enrico Pace perform works by Sculthorpe, Saint-Saëns, Andriessen and Schubert; 8.15pm; Aug 23

■ BERLIN

EXHIBITION
Altes Museum Tel: 49-30-8301332
● Lovis Corinth: retrospective exhibition devoted to Lovis Corinth, one of the leaders of German impressionism. The display includes nearly 150 paintings, about 60 drawings and watercolours, as well as a selection of prints. After Munich the exhibition travels to St Louis and London; to Oct 13

■ BOSTON

EXHIBITION
Museum of Fine Arts Tel: 1-617-267-9300
● Gauguin and the School of Pont-Aven: this exhibition features 80 oil paintings, 30 works on paper and four sculptures, including works by Gauguin, Bernard and 18 other artists associated with Gauguin's presence in Brittany; to Sep 15

■ BREGENZ

OPERA
Bregenzer Festspiele – Festspiel und Kongresshaus Tel: 43-5574-4920
● Fidelio: by Beethoven. Performed by the Wiener Symphoniker, the Sofia Chamber Choir, the Choir of the Russian Academy Moscow and the Bregenzer Festspielchor. Soloists include Susan Anthony, Mariette Kemmer, Adina Nitescu, Wolfgang Fassler, Walter Fink, Jürgen Freier, Sergej Leiferkus and Alan Titus. Part of the Bregenzer Festspiele; 9pm; Aug 20, 21, 22

■ CHICAGO

MUSICAL
Candlelight Dinner Playhouse Tel: 1-708-496-3000
● Seven Brides for Seven Brothers: by Kasha & Landay. Directed by David Perkovich and performed by the Candlelight Dinner Playhouse. The cast includes Kathy Voytko and Robert Gallagher; Wed 2pm & 8.15pm, Thu, Fri 8.15pm, Sat 4.15pm & 9.30pm, Sun 2.25pm & 7.30pm; to Oct 20 (Not Mon)

■ COLOGNE

EXHIBITION
Römisch-Germanisches Museum Tel: 49-221-2214438
● Tu Felix Agrippina: this exhibition features images of members of the family of the Roman Emperor Augustus. Among them is Agrippina, who founded the city of Cologne. Exhibition on the occasion of the 50th anniversary of the Römisch-Germanisches Museum; to Oct 27

■ EDINBURGH

OPERA
Edinburgh Festival Theatre Tel: 44-131-5296000
● Ines de Castro: by James MacMillan, after the play Ines de Castro by John Clifford. World premiere, conducted by Richard Armstrong and performed by the Scottish Opera. Soloists include Helen Field, Elizabeth Byrne, Jeffrey Lawton and Stafford Dean. Part of the Edinburgh International Festival; 7.15pm; Aug 23, 25

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● Symphonischen Nacht: the Hamburger Symphoniker, conducted by Placido Domingo, perform overtures and intermezzos. Part of the Hamburger Opernwoche; 8pm; Aug 21

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Zeichnen ist Sehen: exhibition of 75 19 century French watercolours and drawings from the collection of the Budapest Museum of Fine Arts, including works by Delacroix, Corot, Manet, Cézanne, Rodin and Toulouse-Lautrec. Also included in the exhibition are some 65 drawings from Swiss private collections and from the collection of the Berner Museum, featuring works by Ingres and others; to Sep 8

■ LONDON

EXHIBITION
National Gallery Tel: 44-171-7472885
● Degas: Beyond Impressionism: this exhibition features the late work of Edgar Degas. Degas achieved fame with his pictures of the ballet and the racecourse, but he continued to work long after this period, often experimenting with new techniques and subjects; to Aug 26
Tate Gallery Tel: 44-171-8878000
● Mountain Gloom, Mountain Glory: this exhibition celebrates the enduring enthusiasm for mountain scenery felt by J.M.W. Turner and other British artists. Selected from both the Turner Bequest and the Tate collection, this display of watercolours shows the changing role played by mountain landscape in the art of the mid-18th to late 19th centuries; to Oct 6
THEATRE
Barbican Theatre Tel: 44-171-6384141
● Richard III: by Shakespeare. Directed by Steven Pimlott and performed by the Royal Shakespeare Company. The cast includes David Trouthon; 7.15pm; Aug 21, 22

■ MADRID

EXHIBITION
Palacio de Velázquez Tel: 34-1-573-62-45
● Cindy Sherman: exhibition of about 70 photoworks featuring examples of the "Untitled Film Stills" of 1977-1980 which brought Sherman international recognition. Also on show are works from her most extreme photo-series "Disgust Pictures" (1986-1989), "Sex pictures" (1992) and "Horror Pictures" (1995), the most recent of which have not been exhibited; to Sep 22

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● I Solisti Veneti: with conductor Claudio Scimone and soprano June Anderson perform works by Boccherini, Vivaldi and Albinoni. Part of the Mostly Mozart Festival; 8pm; Aug 20

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Toulouse-Lautrec: exhibition of more than 100 works by Toulouse-Lautrec, all drawn from the museum's holdings of the artist's work. The display features portraits and figure studies in oil and gouache, ink and colour chalk drawings of animals and circus subjects, and the famed posters and prints Lautrec made to publicise Parisian performers and nightspots, including the Moulin-Rouge; to Sep 15

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Dessins contemporains du Musée de Bâle: this exhibition shows a collection of contemporary drawings, collected by Dieter Koepplin, the curator of the Kunstmuseum Basel; to Sep 30

■ VIENNA

EXHIBITION
Museum für Angewandte Kunst Tel: 43-1-71136
● Light Materials. Textiles from the Biedermeier Period 1800-1850: exhibition featuring Biedermeier textiles from the holdings of the Museum für Angewandte Kunst. Also on display are engravings and drawings of fashion designs; to Jan 12

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse • America

Supply-side revival

The US and other countries could benefit from a return to the tax-cutting philosophy of the 1980s

Mr Jack Kemp's presence on the Republican presidential ticket has revived interest in "supply-side" economics – the tax-cutting creed of the Reagan era. He gained fame in the late 1970s as one of the congressional sponsors of legislation proposing a 30 per cent cut in tax rates over three years. The revolutionary plan was the inspiration for President Ronald Reagan's sweeping tax cuts of 1981.

Critics tend to dismiss the supply-side episode as a disastrous exercise in wishful thinking. History, they say, has entirely refuted the optimistic claims of the gurus who influenced Mr Kemp, such as economist Arthur Laffer and journalist Jude Wanniski. Tax cuts did not pay for themselves. They produced record budget deficits, lowered the savings rate and undermined the living standards of future generations. The last thing anybody needs is a replay of the 1980s.

Such a caricature is somewhat unfair. For all its occasional hyperbole, the school deserves enormous credit for stimulating a global rejection of confiscatory rates of taxation. Recall that when Prof Laffer drew his famous curve on a napkin in a Washington restaurant in the mid-1970s, the US had a top income tax rate of 70 per cent.

The top rate in many industrial countries was above 90 per cent. If the old surcharge on "unearned" income is included, the UK's top rate was an absurd 98 per cent. Yet mainstream economists, to their eternal disgrace, did not demand reform.

Prof Laffer's basic argument was simple. Government gets no revenue at a tax rate of zero. It would also get no revenue at a 100 per cent tax since nobody would bother to work. Thus there must be some intermediate rate at which revenue is maximised. Raising tax rates beyond that critical point would reduce revenue. For some income groups, he argued, the US had reached this zone of diminishing returns.

He was right. In the 1980s the share of taxes paid by the wealthy did indeed rise as the top rate declined. Critics respond that this happened only because the incomes of the rich rose even faster than the tax rate fell. Of course, but incomes would not have risen so rapidly but for the tax cut. The basic insight of the supply-siders – that human behaviour changes in response to tax rates – was correct.

It was not just that top earners worked harder and longer – the kind of effect that had been emphasised in the 1970s. Equally important, they exposed more income to taxation: for example with a top rate of 70 per cent, many people took untaxed fringe benefits in lieu of salary. When the top rate fell to 28 per cent in 1986, they took cash instead. The surge in the reported income of the wealthy was thus in part illusory: much of the income existed all along but previously had not been taxable.

Thanks to policies advocated by supply-siders, economists now know that the revenue-maximising tax rate is 40-50 per cent. Mr Reagan's broad tax cut in 1981 did not pay for itself because many people were already paying tax at lower rates. But its impact on deficits was smaller than critics have alleged, as Mr Lawrence Lindsey, now a Federal Reserve governor, ably showed in *The Growth Experiment* (Basic Books, New York 1990), an analysis of the supply-side record.

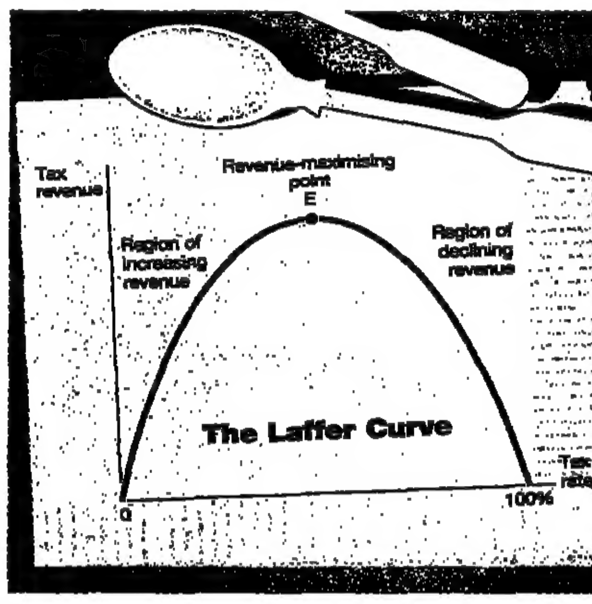
Mr Lindsey found that supply-side "feedback" effects reduced the direct revenue loss from tax cuts by about a third – slightly more than assumed in the modest Dole-Kemp tax plan. Tax cuts accounted for only about 30 per cent of the increase in the deficit between 1980 and 1983 (the year the US deficit peaked). The rest was higher spending – and not just on Mr Reagan's military build-up.

Social spending on "entitlements" such as pensions and healthcare – which accounted for a larger fraction of the budget – also surged in the early 1980s. The tax share of gross domestic product dipped only temporarily; by 1990, thanks in part to tax increases in intervening years, federal receipts were 19.1 per cent of national income, compared with 19.4 per cent in 1980.

Should supply-siders be blamed for the deficits that eroded faith in their policies? Arguably not. Had Republicans controlled the House of Representatives (as they almost certainly will, should Mr Dole be elected), they would have insisted on curbs in social spending to offset tax cuts and higher defence spending. But as it was, deficits were the price Mr Reagan had to pay for achieving his other goals.

And they no longer look so terrible by the standards of other countries. According to the OECD, the US general government deficit (which includes all tiers of government) peaked at just over 4 per cent of GDP. That is comparable to recent deficits in Japan and Germany and far lower than those in France and the UK, which peaked at 6.1 per cent and 7.8 per cent of GDP respectively. And deficits that partly reflect low taxes are surely preferable to those that reflect permanent mass unemployment.

But since US tax rates (even after the Clinton increases) are now at or below the revenue maximising level, is Mr Kemp needed? Yes: the goal of government should not be to soak taxpayers to the greatest degree possible. Today's top tax rates of 40 per cent (excluding state and local taxes) distort economic decisions and impose significant efficiency losses. Even if Mr Dole's 15 per cent cut were implemented, marginal rates would still be higher than in the late 1980s. The work of supply-siders is far from done.



LETTERS TO THE EDITOR

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Symbol of UK's paradoxical attitude to the European Union

From Mr David Vigar.

Sir, The Foreign Affairs Select Committee report on Europe ("Isolated EU position forecast", August 15) neatly symbolises Britain's paradoxical attitude to the European Union.

On one hand it warns against isolation; on the other it defends the policies that lead to it. The position is logically and politically unsustainable. Neither MPs nor government can go on doing the splits for much longer.

The other EU nations are determined to take joint action in a number of new areas and to increase the number of decisions taken by majority vote. Either Britain negotiates seriously on these issues or she moves away from full membership into something like associate member status.

But before we consign ourselves to the second division we should consider whether the proposals are as fiendish as they are assumed to be – and whether we might not actually benefit from participating and helping to shape the outcomes.

For example, because he objected to the European Court's role, Michael Howard delayed the full operation of Europol, an agency set up to catch drug smugglers and illegal immigrants. It appears we would rather be soft on crime than soft on Europe. The idea of an EU-wide immigration policy is presented as the work of the devil and yet it could well mean a properly policed external border and a tough set of commonly agreed rules. Given Germany's recent record on immigration, an EU approach could actually mean being tougher.

As for majority voting, without it UK firms would not now have access to European markets. Mrs Thatcher knew that when she voted to remove national vetoes on the single market. The anti-fraud programme that Britain is promoting will have a much tougher passage if individual countries can throw roadblocks in its path. Enlargement of the EU will be stymied if Portugal or Greece can block attempts to reform the qualifying criteria for aid from the EU budget. Otherwise, the choice will be between giving the new members some £39bn out of western pockets or denying them membership altogether.

Serious issues demand serious attention. Britain will never get the best out of EU membership if every new proposal to share decision-making and pool resources has the same effect as a mouse on a pantomime dame. If the UK is to share in the benefits that the other EU nations are determined to secure, she must develop a policy rather than a posture.

David Vigar,
director of communications,
European Movement - UK,
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Confusion over new EU rules on guest beers in pubs

From Mr Iain R. Loe.

Sir, Dr Peter Dixon's assertion (Letters, August 12) that the European Commission has suggested new rules that would allow guest beers in pubs to continue to be reserved for small breweries is news to us.

The Commission has yet to make public what its alternative definition of a guest beer is.

Currently, any cask conditioned beer produced by any brewery anywhere in the world qualifies as a guest beer; be it Draught Bass, Woodforde's Wherry (Camra's Champion Beer of Britain 1996), or a Kellerbier from Germany.

If Dr Dixon is saying that now a guest beer can only come from a brewery which produces less than a certain amount of beer, I would be fascinated to learn how he thinks such a system can work.

Will the European Commission be setting up an inquiry service so that eligible tenants, fewer than 6,000, will be able to phone up and check on the annual production of a brewery they may be thinking of stocking?

There are almost 1,200 breweries in Germany. Can Dr Dixon tell me which ones would qualify under these new guest beer regulations?

The UK beer market is the most open in Europe. Only in the UK do we have a guest beer regulation. In Greece, Belgium or France if you are tied, whether by property tie, loan or distribution agreement to a major brewery you are not entitled to a guest beer. More than 200 foreign beer brands are imported into the UK, more than for any other EU country.

We await the actual wording of the proposals from the Commission.

Iain R. Loe,
research manager,
Camra,
230 Hatfield Road,
St Albans AL1 4LW, UK

Executives in law firms

From Mr Paul Millett.

Sir, I think you will find that the trend for appointing non-lawyers to non-executive positions within law firms has been evident for some time (People: "Solicitors pick non-lawyer", August 15).

John Jackson was appointed our chairman in April 1992. I believe it was the first appointment of its kind. Among his several public company directorships he is chairman of Ladbroke. John chairs all our partnership and management board meetings. His office is in our building so we have ready access to him.

We would recommend that any commercial law firm of significant size considers such an outside appointment. John's experience has been helpful in bringing a businessman's perspective to our practice of the law.

Paul Millett,
partner,
Mishcon de Reya,
21 Southampton Row,
London WC1B 5HS, UK

National Grid

From A. M. Ruston.

Sir, Is it coincidence that the regulator has published his new proposals for the National Grid ("Watchdog 'outrages' National Grid", August 14), long after the original owners have unloaded their shares on to the unsuspecting public?

I foresee another group of sad "Sids".

A. M. Ruston,
83 Riverside Gardens,
Romsey,
Hampshire SO51 8HN, UK

At a clogged crossroads

London is feeling the crush of record numbers of tourists, says Antony Thorncroft

It was not quite what the London Tourist Board wanted to hear. London's West End area was "repellent"; it was "filthy". If you avoided treading on a sleeping vagrant you were likely to slip on beer dregs or worse.

The disenchanted observer speaking his mind recently was Trevor Nunn, one of the UK's leading theatre directors. He was no more flattering about the dramatic output of the theatres that spread out from the city's focal point, Piccadilly Circus, describing it as "pusillanimous" and "superficial".

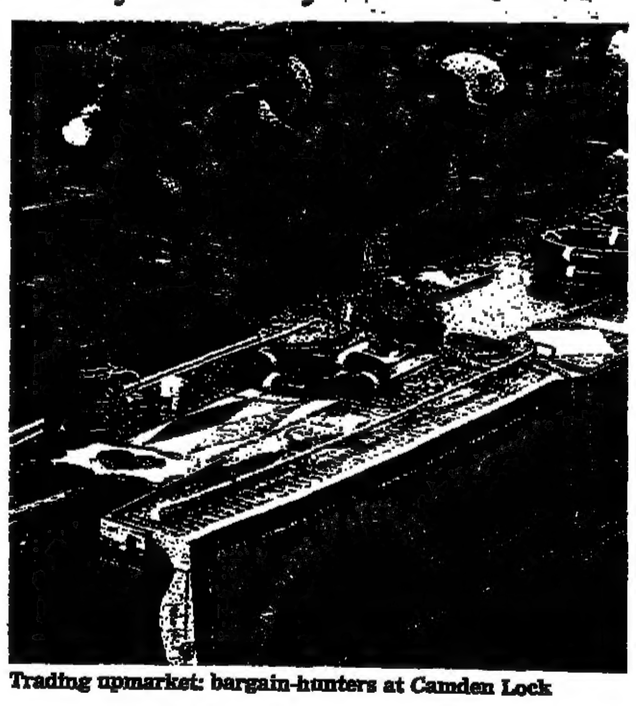
For the tourist board this was a particular blow to the heart. It cannot promote London for its weather or its charm. Instead it promotes its culture, especially its historic monuments and museums, and its theatres. One in three of the record 11.9m tickets sold in the West End last year went to a foreign visitor, and another third to UK tourists.

Fortunately the board can afford to brush off Trevor Nunn's attack. Last year a record 23.6m visitors came to London, more than 13m of them from overseas. This was an appreciable increase over the 20.1m in 1994. This year is looking even busier, with more than 28m tourists anticipated, pumping £6bn into the capital's economy.

The London Tourist Board wants more, but there are already signs that the pressure of tourists, at least at certain times of the year and in certain locations, is causing strain and stress. Trevor Nunn's outburst was just an expression of the feeling that London is becoming clogged.

Mr Neil MacGregor, the director of the National Gallery, whose Trafalgar Square building is hemmed in by tourists spilling over its narrow exterior pavement, speaks for many. "It is not the number of tourists. By tiny adaptations we can cope with more visitors. It is the lack of a transport policy for London; a public space policy for London, that causes the problems."

London is notorious for being a world capital without a mayor. The absence of a powerful figure to represent, and oversee, the whole city creates a feeling of malaise, of irresponsibility. London faces a crossroads: some modest changes would make life more enjoyable for the current number of visitors and enable more to be happily absorbed.



Trading upmarket: bargain-hunters at Camden Lock

Modest changes are under way. The National Gallery processes 4.6m visitors a year by opening later on Wednesday evenings and earlier on Sundays. But this hardly improves its immediate environment. It is supporting with enthusiasm plans from Westminster Council, backed by English Heritage, for a pedestrianised area between the gallery and Trafalgar Square. There are also ambitions to pedestrianise Parliament Square, which fronts the Houses of Parliament and Westminster Abbey.

But pedestrianised areas can create their own problems. One of the insoluble ironies of tourism is that improving the environment attracts more visitors. Nearby Leicester Square has been smartened up in recent years, with the result that it has become a *paseo* for London. The crowds attract street entertainers and traders, who attract more crowds, who attract petty criminals. An area can go from happy throng to claustrophobic mess quite quickly.

If London suddenly seems overcrowded it is a tribute to its recent ability to push up visitor numbers. It is particularly appealing to younger tourists. There has been a pronounced loosening of controls by the authorities: more bars and clubs have late-night drinking licences. Warm summers have created a café society.

London has become a haven for the gay community. For the first time since the 1960s London is hip. This has turned Soho at the weekends into one big party – with the consequence of unsightly rubbish strewn across the district by Sunday mornings.

Leicester Square and Soho can just about cope. Further north in Camden the strains are showing. Camden Town has become the greatest magnet in London for the young, attracting 10m visitors a year who cram into a short half-mile stretch of street from Camden station to Camden Lock to buy cheap clothes and ethnic curiosities.

Camden, which has just appointed its first tourism director, has realised it is breeding a monster. The hope is that the traders will go slightly up-market, attracting fewer but freer-spending tourists.

Like other London boroughs it does not want to frighten away tourists. It wants to spread them around the year, and direct them to more sedate sites, such as Kenwood House and the Sir John Soane Museum. London is rich in overlooked treasures – the Wallace Collection, Kensington Palace, Ham House, the Courtauld Institute – but tourists, with their cramped schedules, have an annoying habit of hunting in packs.

The problem of inadequate facilities to cope with increased numbers is particularly acute at the Tower of London, the capital's main heritage site, with 2.5m visitors a year and rising. "Squalid" and "sewer-like" are not Trevor Nunn's description of the environs of the Tower but those of its governor.

However, a £50m development project involving the Tower, local Tower Hamlets council, and private developers, is in train, which aims to smarten the landscape, improve access and fill the moat with water. Its achievement – like the plans for Trafalgar Square and Parliament Square; like the British Museum's scheme to improve the flow of its 6m visitors with the creation of a new Great Court; like the Tate Gallery's development of London's first museum of 20th century art on a revitalised Bankside, south of the Thames – depends on lottery funding.

London may lack the political will to improve its facilities and environment but, thanks to the lottery, it has the cash.

There is, however, one London tourist attraction which is quite happy with crowds. Madame Tussauds is the main paying tourist attraction in London, with 2.7m visitors in 1995, 70 per cent of them from overseas.

They actually like to queue; anything less than an hour's wait cheats them of a battle honour to impress friends back home.

This is the fourth in a series on places changed by mass tourism.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday August 19 1996

Missed chance in Indonesia

When President Suharto of Indonesia delivered his state of the nation speech last week, he had a chance to address the critical issues currently facing his country. Jakarta has just seen its worst political violence in 20 years. There is also growing concern about the health of the 75-year-old president after 30 years in office, and the lack of an obvious successor to take over in the event of his demise.

The disturbances have unsettled foreign investors, on whose goodwill the country's prosperity depends. While the economy continues to expand at a rapid rate – by 8 per cent last year – there is a danger of overheating. The current account deficit is 3.3 per cent of GDP; foreign debt is more than $100bn. It needs a steady inflow of foreign capital to finance that borrowing, not a crisis of political confidence.

Yet in his speech, Mr Suharto failed to produce any reassuring answers. On the political front, he flatly rejected calls for democratic reform. There was no case for the creation of new political forces, he said. The present three-party system, in which the ruling party faces two token opposition parties, was perfectly adequate. He simply dismissed the international anxiety by saying: "Political and economic stability have been restored."

Political crisis

Few would agree. Indeed, many observers would argue that Mr Suharto himself precipitated the latest political crisis, by engineering the dismissal of Ms Megawati Sukarnoputri as leader of one of the official opposition parties. Until that moment, she scarcely represented a serious threat. Now this matronly and uncharismatic daughter of Sukarno, the country's first post-independence leader, has suddenly changed from being the leader of a puppet party to become a symbol of resistance.

Indonesia's stability and prosperity matter. This is the fourth most populous nation in the world, and an important destination for foreign investment: there was an inflow of some $4.5bn in 1995. President Suharto has not only held together an extraordinary mixture of tribes and religions as a single nation. He has also presided over an economic transformation which has seen one of the poorest nations of Asia increase its per capita income ninefold since 1970, graduating almost to middle income status.

The president's problem now is in coming to terms with the consequences of that growing prosperity. On the one hand, it has created a middle class with growing aspirations for greater democracy. On the other, it has made the social divide more acute, as the former rural poor migrate to the cities, to become urban poor. An estimated 2.1m people join the labour force each year, and few find jobs.

Business empire

The middle classes, and Mr Suharto's vital allies in the military, not to mention foreign investors, are expressing growing resentment at the spread of his family's business empire. The tax concessions awarded to his son Hutomo Mandala Putra earlier this year, to develop a cheap "national car", are merely the latest example. That could become another factor in discouraging foreign investors, as it did in the dying days of the Marcos regime in the neighbouring Philippines.

If political confidence is to be restored, Mr Suharto needs to decide if he will run again as president in 1998. If he does not, he should begin a transparent process of selecting a successor, who must be acceptable to the military, in particular. He should also open a dialogue with the proliferation of non-governmental organisations calling for more democracy. These are respectable groups, not communist agitators. They should not be arrested.

Finally, if corruption is not to undermine the economic system, he must start to build an independent judiciary, which might restrain the worst excesses. That could be the most important reform of all.

Watchdogs learn to bite

This summer the regulators of all the large UK utilities have been baring their teeth, growling, and showing a surprising turn of speed as they try to shepherd their charges towards the market. Not surprising, the companies dislike being herded in this direction. They show this in different ways: by trying to charge excessive prices for common services such as gas pipelines or the electricity grid, by setting obstructive conditions for new entrants, by exploiting the customer base to freeze out competitors or by failing to invest in systems to create a market.

Therefore the regulators have become much more interventionist and have taken wider powers than was envisaged when British Telecom was privatised 12 years ago. It was then hoped that the watchdogs would emerge from their kennels every five years to set price targets and bark infrequently between reviews.

Light regulation, it was argued, would motivate utilities to seek profits from greater efficiency. But, partly because of public pressures, the regulators were never so docile. Now it is clear that the laws under which they were established were deeply flawed, for two reasons.

First, the extent to which competition might help to curb prices and profits was grossly underestimated. British Gas, for example, was expected to continue as a benign private monopoly, serving the public interest as it had done before.

Detailed scrutiny

The second error was to believe that in setting *prices* regulators would be freed from that detailed scrutiny of the industry which US utility regulators find necessary in order to control *profits*. However, as recent reviews in the gas and water industries have shown, regulators cannot decide a price target without a close assessment of the monopoly's capital structure, its investment strategy, cost of capital and desired return. These are just the topics which cause dissension and lawsuits in the US. In the UK, there is now a danger that regulators will take divergent views, particularly on the important subject of valuing assets.

Regulators need to be confident that the prices they set will allow the utilities to make fair but not excessive profits; if profits turn out to be too high, the whole process may be threatened by public outcry and political interference. So to maintain public support, regulators need, not only a detailed knowledge of the industry and constant vigilance, but more consistency of approach than they have shown so far.

Stronger powers

For the task of encouraging competition, regulators also need stronger and more specific powers compared to the vague duties set out in present legislation. In telecoms and electricity the regulators are seeking a significantly harder bite on competition policy, through changes in the utilities' licences. Welcome though this is, the method of achieving it shows that, in this sector, UK competition policy is in a mess.

Regulatory offices are small one-person bands, so they cannot be expected to be judge and jury of contentious competition issues for industries with a combined annual turnover of £51bn and assets of £240bn. Yet the Monopolies and Mergers Commission, with its relatively cumbersome procedures, is not well suited to dealing with industries with systemic monopoly properties. Hitherto, it has taken a case-by-case approach, with little regard for precedent or wider strategic questions.

A new balance is therefore needed to give the regulatory bodies, however structured, enforceable powers to promote competition. They also need to develop a clearer common view on how to regulate the parts which competition cannot reach. This will require a big upheaval, no doubt involving existing competition authorities. But the alternative is likely to be destructive ad hoc interference by politicians. The Labour party's proposal for a windfall tax shows the danger.

From left to right Massimo D'Alema, Romano Prodi, Antonio Maccanico, Carlo Ciampi, Lamberto Dini

Prodi's prima donnas

Italy's coalition has prospered, but ministers need to co-operate to pursue economic and polical reform, says **Robert Graham**

If miracles can embrace the world of politics, then a minor one is occurring in Italy. The centre-left government of Mr Romano Prodi is approaching the landmark of 100 days in office without the whisperings of a crisis.

The summer break, when the silliest of rumours get blown out of all proportion, is passing in an atmosphere close to somnolence.

In a country where the average life of governments in the past two decades has been 11 months this is remarkable. The first 100 days is rarely a moment to assess achievements, and is usually the occasion to speculate on how long a government will last. The situation is all the more remarkable since this administration is a heterogeneous coalition dominated by the Party of the Democratic Left (PDS), heirs of the Communist party which was denied power throughout the post-war era.

Both Mr Prodi and Mr Massimo D'Alema, the PDS leader who is the real power behind the scenes, have deliberately sought to cool the confrontational atmosphere of the two previous Berlusconi and Dini governments. Also, Mr Prodi, who has had no previous direct experience of government, prefers a low-key approach to politics. Indeed, the 56-year-old economics professor seems to set little store by courting popularity.

Typical of his attitude was a comment made on the first day of his holiday while visiting a village in the Apennines. "I know full well the degree of diffidence that still exists between the citizens and the government of this country. For this reason, to be credible, this government must do more and talk less."

With little fanfare the government has got much of its electoral programme under way. It has embarked on an ambitious programme that already includes 133 draft laws, although parliament is still coping with a huge backlog of legislation.

So far the biggest criticism of the Olive Tree alliance in government is that it has failed to take sufficient advantage of the vacuum created by a demoralised and disorientated opposition. Instead of exploiting the opposition's weakness, the government has been preoccupied with trying to achieve its own internal balance between the six main parties forming the alliance.

Mr Prodi finds himself awkwardly in the middle of two strands of opinion – the social democrat sentiment of the PDS representing the left, and the former Christian Democrats as champions of compromise in the centre. He also has to accommodate the hardline members of the old Communist party who formed Reconstructed Communism (RC), which provides vital support to make up a majority in the lower house. He has not always succeeded in this balancing act.

But the financial markets, whose judgment has been so influential since the EU exchange crisis of September 1992, have retained an underlying confidence in the new government. "The start was slow; but the opposition is weak and there has been nothing to undermine the market's sense of reasonable optimism," observed a Milan broker just before *ferragosto*, Italy's traditional summer shutdown. "Prodi will not be tested until the autumn; but he looks a dogged performer," he added.

The two policy areas given priority have been the economy and constitutional reform. Mr Prodi was faced with the immediate need of having to produce a package of corrective measures to hold this year's budget deficit to its target of 5.9 per cent of gross domestic product. The L16,000bn (£7bn) austerity package was forced through parliament earlier this month just before the recess.

The mini-budget was conceived in the framework of a three-year macroeconomic programme to bring Italy's public finances in line with the convergence criteria for monetary union, as laid down in the Maastricht Treaty. While committed to take part in monetary union, the government has been realistic enough to accept that the budget deficit cannot be brought down to 3 per cent of GDP by the end of 1997.

By aiming to meet the target a year later, Mr Prodi and his ministers have incurred the criticism of Confindustria, the industrialists' confederation, and of Mr Mario Monti, one of Italy's two EU commissioners. But the centre-left coalition, aware of the social unrest provoked in France by trying to meet the budget deficit targets, has preferred a consensual approach to austerity, knowing it must accommodate an important part of its electoral base in the unions.

The Bank of Italy has lowered the discount rate as a sign of confidence in the direction of economic policy and declining inflation. The long-awaited rate cut to 8.25 per cent from 9 per cent in July is central to the virtuous circle the government hopes to set in motion. Given Italy's huge stock of debt (almost 125 per cent of GDP), every one percentage point fall in interest rates means a saving in debt servicing costs of something like L15,000bn over 18 months – a saving which in turn lightens the budget deficit.

The other priority has been to forge an agreement with the rightwing opposition on constitutional reform, which was a key electoral issue for all parties. Mr D'Alema has managed to broker a deal with Mr Berlusconi to form a bicameral commission to prepare a set of proposals by June next year. The brief is very wide: ranging from a review of the powers of the prime minister and president and the duplication of roles by the two houses of parliament to creating a more federal structure for the state.

Tackling these issues has overshadowed a long list of initiatives taken in almost every area by individual ministers. These range from raising the school leaving age to 16, streamlining the courts of justice and simplifying tax procedures to pressing ahead with the privatisation of the sensitive telecoms business, reforming the presentation of public accounts and cutting red tape in acquiring driving licences.

The quality and experience of the ministerial team has been crucial here. The cabinet includes two former prime ministers – Mr Carlo Azeglio Ciampi who heads the treasury and budget ministries, and Mr Lamberto Dini, at the foreign ministry; a former speaker of the chamber of deputies – Mr Giorgio Napolitano, the interior minister; a former treasury and foreign minister – Mr Beniamino Andreatta, with the defence portfolio; and Mr Antonio Maccanico, minister of post and telecommunications.

In fact the cabinet often acts like an orchestra full of primadonnaish soloists. Although they play well alone they lack cohesion when obliged to perform together. The biggest prima donna is proving to be Mr Antonio Di Pietro, the public works minister and the former high-profile Milan investigative magistrate, who likes to get his way by threatening to resign.

Mr Prodi is blamed for failing to conduct with sufficient authority. But the players are not really his: and though chosen to head the Olive Tree alliance when it was formed last year, he has no political base of his own. Life is made more difficult for the premier by the position of Mr D'Alema. In a normal democracy the head of the main party winning an election would be expected to become prime minister. But because of a residual mistrust of the former communists, the PDS agreed that the premiership should be held by the more neutral figure of Mr Prodi. Mr D'Alema nevertheless monitors every action like a backseat driver and does not conceal his irritation when he feels the premier is mishandling matters.

Mr Prodi thus remains on trial, and the real challenge begins in September with the 1997 budget. It will not be easy to find the right mix of new fiscal measures and spending cuts against a backdrop of uncertain economic growth at home and abroad. Already this year's growth estimates have been revised sharply downwards to 1.5 per cent. If this falls any lower, it will have a serious effect on revenues and further complicate important wage negotiations postponed from July until the autumn.

The government also has to secure the co-operation of the opposition for the proper functioning of the constitutional reform commission. It will require at least two years to draw up and approve such reforms. This timetable is very long when the shape of alliances is still shifting. Thus government and opposition must be convinced that they can hold together before beginning this process in earnest.

Here the role of the populist Northern League could prove crucial. Mr Umberto Bossi, the astute League leader, is embarked on a dangerous course, promising to declare on September 15 the secession of Padania – an ill-defined area of the rich industrial north centred on the valley of the River Po. Unless common cause is made against Mr Bossi, he could unnerve the government and sabotage constitutional reforms.

· OBSERVER ·

Midas touch – in reverse

■ Is Kazakhstan's Vasilkovskoye gold mine jinxed? The Kazakhs reckon it has proven reserves of 400 tonnes – worth about $5bn – but those international mining companies who have sniffed around have simply got burnt.

In 1995 the Australian company Dominion Mining thought it had an exclusive deal to exploit the mine, only to find others had been invited to the party, including RTZ of the UK, Australia's BHP and Western Mining and Canada's Placer Dome.

The Kazakhs gave Placer Dome the cherry. Placer paid $35m to the Kazakh government – should have used an escrow account, boys – for the right to begin investigations. The contract said if Placer decided not to go ahead, the $35m would be returned. Placer pulled out in September, the deadline for the return of the cash – July 4 this year – passed without a cent from the Kazakhs.

Now the latest bidders – a consortium led by Robert Friedland and including Teck and First Dynasty Mines (both of Vancouver) and the London-based Bakyrchik Gold – also seem to have thought better of it.

Placer has now decided to go to international arbitration under Uncitral, the UN Commission on International Trade Law. The case will be heard in London. Placer shouldn't hold its breath; Uncitral will take about two years to deliberate – a very long time, in Kazakhstan.

French fringes

■ The French government has recently created so many so-called "observatoires" to investigate problems that the *Canard Enchaîné* newspaper suggests establishing a new *observatoire des observatoires* – to keep an eye on all the others.

Now another *observatoire* kicks off, this time looking into the growing national preoccupation with cults. President Jacques Chirac has nominated to head it someone who stands little chance of being seduced by the weird.

Baron Antoine Guerrier de Dumast, the husband of Marie-José de Carbonnières de Saint-Brice, fought during the Algerian civil war, has advised top civil servants in France's former colonial territories, and was most recently in charge of security on the frequently bombed island of Corsica.

The Baron's brief will probably not include studying the Order of Malta. This secretive organisation is headed by his brother Jacques, a financier who presides over the French arm of the ultra-elitist charity, whose wealthy contributors annually parade in strange cloaks en route to a grand dinner.

Playing around

■ Has the Vienna Philharmonic, which only a few weeks ago seemed to be stubbornly resisting letting in women, changed its tune? Austrian TV reported last week that, after more than 150 years, Austria's most famous men-only club was going to let women join its band.

Could this be true? The purveyors of the world famous "Vienna Sound" are an odd bunch. Unlike most world-class orchestras they have no leader. New recruits are vetted in secret and until now women have been blackballed. There have been exceptions: Anna Lelkes was employed as a harpist in 1970 – because no one else was up to the job. But it was another 25 years before she got her name in the programme.

The orchestra has always said that allowing women to join would threaten its artistic standards. Who knows what effect the sight of the second viola's shapely ankle might have on the performance of the man behind the kettledrums?

Perhaps the change of heart is connected with the Austrian government's recent threats to cut its relatively small subsidy? Definitely not. In fact the orchestra now claims that Werner Resel – the cellist who doubles up as chief shop steward – was misquoted. All he said was that since nearly two-thirds of the students in Vienna's top music school are now female, the chances are that in 10 years there may be women members.

Then again, he could be wrong.

Fred's logic

■ Bill attempts to teach Fred the art of logic, via the age-old method of question and answer.

Bill: "Do you have a lawnmower?"
Fred: "Yes."
B:"That means you have a lawn?"
F:"Yes."
B:"Therefore a house?"
F:"Yes."
B:"And a wife and children?"
F:"Yes."
B:"Thus it is clear you are a heterosexual."

Fred decides to put this new skill into practice by tutoring Dick.

Fred: "Do you have a lawnmower?"
Dick: "No."
F: "Ah, that means you are a homosexual . . ."

The Financial Times

100 years ago

Bondholders' Misfortunes

The report of the council of Foreign Bondholders contains a mass of valuable information, particularly with regard to the finances of the South American States . . . "It is a sad fact that out of the seventy years that have elapsed since Ecuador first began to borrow money the service of her External Debt has been in suspense for fifty-four years." In 1895 the bondholders accepted a reduction in interest, and it was thought that at the cost of a considerable sacrifice, some permanent basis of settlement had been reached. Alas, no! A revolution was engineered, the Government was defeated, and in March last the new authorities once more suspended the service of the debt . . .

50 years ago

British Films at Highest Level

British films now stand at the highest level, states the annual report of the British Film Producers Association for 1945-46, and it only remains for their numbers to be increased so that they become a world force in entertainment.

Increasing competition, it is pointed out, must be expected from America. This country is urged to look more to overseas markets, and particularly to the dominions and colonies, for more screen time.

FINANCIAL TIMES

Monday August 19 1996

Carmaker faces court action if it uses funds

Brussels warns VW over $60m state aid

By Peter Norman in Bonn

The European Commission has threatened to exclude Volkswagen, the carmaker at the centre of a state aid row, from tendering for public contracts if it spends nearly DM91m ($61.4m) of disputed subsidies received from the German state of Saxony.

Mr Karel Van Miert, the European Union's competition commissioner, said the commission would take VW to the European Court if it used the funds. VW would be also barred from spending other already-approved state aids in the EU. "Exclusion from public tenders is also conceivable," Mr Van Miert added.

The commissioner's remarks, in an interview with German news magazine Focus, are the toughest so far from the Brussels competition authorities in a three-week row over Saxony's plans to pay DM780m towards VW investments in the state. The commission blocked DM241m of the planned aid in June and has complained that payment of a DM142m instalment by Saxony to the carmaker this year was DM90.7m above the level allowed.

"We are confronted with an illegal situation here," Mr Van Miert said. He warned that Saxony's action could result in an EU-wide subsidy war if it were allowed to go ahead. "One cannot simply act illegally and hope the commission will shut its eyes. That would mean the end of the internal market and Europe."

Mr Van Miert took a swipe at the high level of subsidies in Germany as a whole, describing the country as "the European champion in state aids". But he was especially critical of the Saxon government and its prime minister, Mr Kurt Biedenkopf.

The commissioner said he was "astonished" that VW had "found it so easy to blackmail" the state's politicians into providing aid by threatening to withdraw from its projects in eastern Germany. "If the group won't invest more in eastern Germany, it must pay back already approved subsidies worth some hundreds of millions of D-Marks. VW would then be worse off than if it had accepted the commission's ruling."

Meanwhile, officials from the Bonn finance and economics ministries yesterday confirmed that the Commission was investigating German legislation, passed last year, that extended the scope of state aids in eastern Germany.

However, they described as "routine" Brussels' enquiries into prolonging an 8 per cent premium for investment in machinery in eastern Germany and extending to west Berlin a 10 per cent investment subsidy and special depreciation rules, created for the new Länder.

Microsoft admits to flaw in latest Internet package

By Tom Foremski in San Francisco and Paul Taylor in London

Microsoft, the US software group, has admitted that there is a "bug" in the latest version of its Internet Explorer software. The admission came on the eve of the launch of Netscape Navigator 3, the rival offering from Netscape Communications.

The packages, run on personal computers, are a communications "gateway" to the vast information resources of the World Wide Web. They give the fast-growing Internet subscriber base easy access to the immense number of sites available on the Web. They are expected to be integrated into the next generation of PC operating systems for home and corporate use.

The discovery of a bug in Internet Explorer 3.0 days after its launch is an embarrassment for Microsoft, the world's biggest software company, which is locked in a battle with Netscape, a California-based company which has pioneered the development of powerful, easy-to-use Web browsing packages and which has a 70 per cent share of the market.

Faults in complex new software are not unusual, especially in trial copies which the companies rush to market.

Netscape itself fixed a bug in an early test release of Navigator 3.0. Consumer organisations have become increasingly critical of software companies for releasing products which contain bugs and other problems. Additional bugs are expected in the Microsoft and Netscape software programs over the next few months.

Microsoft said Internet Explorer 3.0 contains a bug which forces users to repeatedly re-enter their registration data – an inconvenience for users when accessing the growing number of Internet web sites that require a password. Such sites include the Financial Times's Web site, *www.FT.com*.

Microsoft said it is working on a solution which it will "post" on the Internet to enable users of Internet Explorer 3.0 to update their software.

The company offers Internet Explorer to users free while Netscape, which has a strong position in the corporate market, charges for its software.

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Media Futures, Page 9

Russia tries to reinforce Chechen ceasefire

By John Thornhill in Moscow

Russian and Chechen negotiators tried at the weekend to reinforce the fragile ceasefire agreement in the breakaway region in the face of mutual accusations of bad faith.

A shaky truce also seemed to be holding among Russia's fractious politicians as president Boris Yeltsin appeared to back Gen Anatoly Kulikov, the interior minister, who was last week subjected to a fierce assault by Mr Alexander Lebed, national security adviser.

The Interfax news agency reported that Mr Yeltsin had told Gen Kulikov that he should remain in his post.

Mr Lebed, a former military commander, claimed that his attempts to bring peace to Chechnya after 20 months of fighting were being deliberately undermined by Gen Kulikov, who controls the interior ministry troops in Grozny.

On Friday, Mr Lebed said he could no longer work in the same administration as Gen Kulikov and urged the president to sack him.

Over the weekend, Mr Lebed's peace initiative inched forward as Gen Konstantin Pulikovsky, the acting Russian field commander in Chechnya, twice met his Chechen counterpart, Mr Aslan Maskhadov, in an attempt to strengthen a ceasefire agreement.

Mutual accusations marred the apparent political progress. Russia's military command in Chechnya said separatist fighters shot down a helicopter yesterday, killing two crew members and wounding two. Chechen rebels accused a Russian unit of killing 15 civilians in the capital, Grozny, overnight.

The conflict has been described as "unwinnable" by Mr Lebed who appears to be striving for a face-saving political formula allowing federal troops to withdraw from the region.

Chechen forces now control of several strategic locations in Grozny and seem to be preparing for a long fight.

The RIA Novosti news agency quoted a Russian military source as saying that the Chechen forces were exploiting the ceasefire to strengthen their positions, re-establish their lines of communications, and redeploy their forces.

The officer said the only way for federal forces to recapture the city without enormous losses would be to level every building in the city by air bombardment and artillery fire as had been done in the initial assault on Grozny in early 1995.

THE LEX COLUMN

Electronic blockbusters

Many see the consumer electronics industry's recent history as an elusive hunt for the next killer application. Nothing has come along since the video cassette recorder and the compact disc, it is often said. Hence the high hopes for the digital video disc, a sort of cross between a VCR and a CD – but also the anxiety caused by its troubled birth.

There is, though, another interpretation of what has happened: several hugely successful products – notably the personal computer and the mobile phone – have been developed; but the old-style consumer electronics groups such as Matsushita, Sony, Philips and Thomson have not made much money out of them. The rewards have instead been reaped by the likes of Compaq and Nokia.

Now, of course, it is getting harder to make big money out of PCs and mobile phones too. As technical advantages are eroded, more competitors are piling into the market and margins are being squeezed. So the hunt is on for the next hot products, which will enjoy high margins for a while at least.

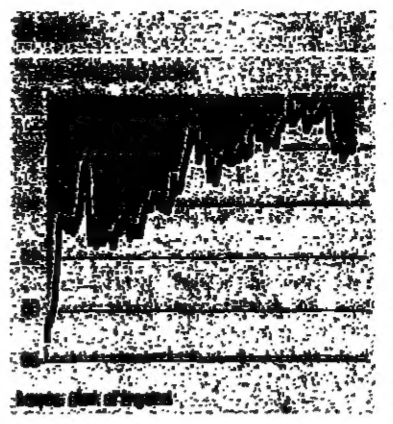
The digital video disc may yet prove such a product. But there are at least three other promising candidates: "set-top" boxes for receiving hundreds of digital TV channels; appliances for surfing the Internet; and handheld computers. None is totally new: analogue set-top boxes are common, PCs surf the Net and many executives carry devices such as Psion's organiser instead of diaries, address books and notepads.

The real debate is over how such devices will evolve. According to one school of thought, multi-function devices are the way forward. So we should look forward to the handheld computer that doubles up as a mobile phone; or the set-top box that plays games and surfs the Net.

A rival view favours simple appliances. This is the thinking behind the much-touted Network Computer (NC), a stripped-down PC particularly useful for the Internet. Oracle, the software group which is the NC's biggest promoter, argues that it could replace the PC which has so many functions that it is excessively expensive and complicated.

There are still more radical concepts. Diba, a Silicon Valley start-up, believes that even the NC has too many functions and that each application should have its own dedicated device.

This debate sometimes seems like



a theological dispute. In reality, there will probably be markets for single-function appliances, multi-purpose devices and gadgets that can do a few things but not everything.

That does not mean everybody will be a winner. The key to success will be working out exactly which combinations of functions constitute hot products. Designing chic and easy-to-use devices will also be essential. Those who develop clever hardware – whether it is foldable plastic screens or voice recognition technology allowing consumers to talk to their appliances – can expect rich pickings. But some of the most competitive battles will be to supply the software to operate such gizmos. Many have seen the vast wealth Microsoft has generated from dominating the PC software market and want to do the same with electronic appliances. Unsurprisingly, Microsoft itself is one.

Currency intervention

First it was the end of history. Then the death of inflation. Now traders are proclaiming the demise of market volatility. It is all rather ironic. Eighteen months ago, with the dollar in seemingly relentless decline, central bankers were the clowns of the financial markets. Now, suddenly, they are omniscient, capable of taming the world's largest market.

Both views are too extreme. But traders who lament quiet markets are not hallucinating. It is more than a year since central banks last intervened together to move the dollar. You have to go back to 1986/7 to find a longer period of abstinence by the world's exchange rate guardians.

The explanation is mundane. Quiet currency markets reflect convergent economics. Inflation is low in leading economies, and external imbalances much smaller than in the past. There is less need for exchange rate adjustment. In the case of Europe, tighter trading ranges are the result of investors positioning themselves for Emu, not central bank alchemy.

There have also been changes. Central banks are canner in their intervention tactics, while new instruments, such as options, affect how prices behave. The market is bigger, and so less easily moved, while investors have more options for expressing their views outside the foreign exchanges. But we have not seen the end of volatility. So long as animal spirits persist, markets will overreact, and central banks will respond. The death of intervention is not upon us.

Pulp & paper

Profits at Europe's top 15 paper companies are expected to fall by nearly 50 per cent in 1996, yet most of their share prices have risen 20 per cent or more this year. Investors have been buying in the belief that the pulp cycle has turned. This would allow producers to force through price increases for many paper grades this autumn, leading to a rebound in earnings of up to 25 per cent in 1997.

It looks a distinctly optimistic scenario, a point made last week by Mr Juha Niemelä, chief executive of UPM-Kymmene of Finland, Europe's largest forestry products group. Not once in the past 30 years has a downturn in the paper industry been confined to a single year. True, pulp inventories have fallen back to near normal levels and the pulp price has risen sharply since June. But inventories are already rising again. Unless producers take downtime at their mills, which they are loathe to do, the price could rapidly fall back again. Without a strong pulp price, it will be difficult to push through price increases in fine paper and corrugated casing which are planned for September. European producers had also been pointing to fine-paper price rises in the US as justification. But after holding firm for six months, prices there have collapsed since June.

If the expected price rises do not materialise, most brokers will have to downgrade 1997 forecasts fast. During similar corrections in the autumn of 1990, 1991 and 1992, share prices in the sector subsequently fell between 25 and 40 per cent.

Bread riots

Continued from Page 1

tribal grandees by changes to voting procedures in the 1993 elections.

But last week's bread price rises could muster only 29 votes in parliament.

A coalition of 11 small parties clustered around the IAF yesterday calling for the resignation of the government of prime minister Abdel-Karim Kabariti, blaming it for the rioting and for ignoring parliament and public opinion.

Lloyd's fails to win help

Continued from Page 1

should be heard in the US – dealing a blow to Lloyd's hopes that they could be heard in the UK.

Underlining the importance of the case, Mr Ron Sandler, Lloyd's chief executive, is in Virginia to give evidence. Mr Chuck Quackenbush, California's insurance commissioner, argues Names' links with Lloyd's are "purely an insurance relationship" and delaying the recovery "could have devastating effects on California's insurance market".

Lloyd's is refusing to say how many Names have accepted the plan so far, but is stepping up efforts to build support, including newspaper advertisements this week reminding Names about the August 28 deadline.

Lloyd's yesterday welcomed a court ruling in Tennessee rejecting a request by the state's department of commerce for an injunction blocking the recovery plan.

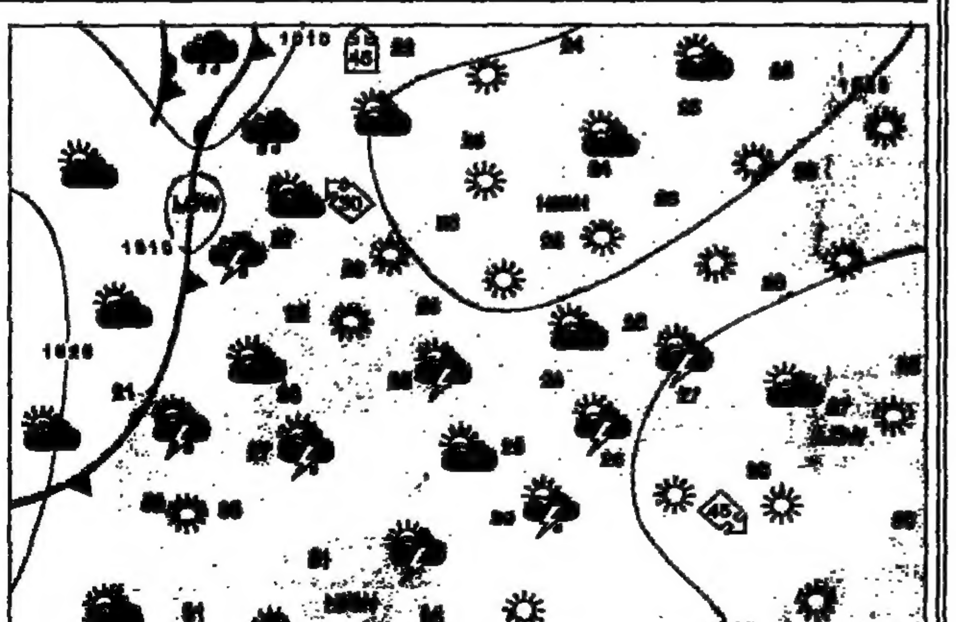
FT WEATHER GUIDE

Europe today

A large part of Europe will have widespread sunshine and scattered cloud with temperatures ranging from 25C to 30C. Thunderstorms will develop over the Pyrenees, the Alps and the Balkans.
Over Ireland and western UK, it is likely to be cloudy with periods of rain and even thunderstorms as a front slowly shifts eastward.
Ahead of the front, the north-western Iberian peninsula, the western part of France and England will be cloudy with sunny periods.
Southern Scandinavia will be mostly fair with cloudy intervals over south-western and western Norway.

Five-day forecast

Thunderstorms and rain will affect western Europe as cooler air moves in from the west.
In the Mediterranean region and central Europe, conditions will remain fair with scattered thunderstorms over Sardinia and Sicily from Wednesday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius											
		Beijing	fair 32	Caracas	fair 31	Faro	sun 28	Madrid	sun 32	Rangoon	rain 30
		Belfast	thund 21	Cardiff	shower 22	Frankfurt	sun 28	Majorca	sun 29	Reykjavik	sun 13
Abu Dhabi	sun 43	Belgrade	thund 22	Casablanca	fair 24	Geneva	fair 27	Malta	fair 30	Rio	sun 23
Accra	cloudy 27	Berlin	fair 29	Chicago	cloudy 29	Gibraltar	sun 28	Manchester	cloudy 24	Rome	fair 29
Algiers	sun 31	Bermuda	fair 30	Cologne	sun 27	Glasgow	rain 20	Manila	cloudy 32	S. Frsco	sun 21
Amsterdam	fair 27	Bogota	fair 19	Dakar	fair 31	Hamburg	fair 28	Melbourne	rain 11	Seoul	fair 32
Athens	sun 32	Bombay	fair 30	Dallas	sun 35	Helsinki	cloudy 23	Mexico City	thund 19	Singapore	cloudy 30
Atlanta	fair 33	Brussels	sun 28	Delhi	shower 29	Hong Kong	rain 29	Miami	thund 32	Stockholm	fair 25
B. Aires	sun 25	Budapest	cloudy 28	Dubai	sun 42	Honolulu	sun 31	Milan	thund 28	Strasbourg	sun 27
B.ham	cloudy 25	C.hagen	fair 23	Dublin	shower 21	Istanbul	thund 28	Montreal	sun 27	Sydney	shower 13
Bangkok	thund 30	Cairo	sun 35	Dubrovnik	thund 28	Jakarta	fair 32	Moscow	fair 25	Tangier	fair 28
Barcelona	thund 27	Cape Town	fair 18	Edinburgh	thund 21	Jersey	fair 24	Munich	fair 26	Tel Aviv	sun 33
						Karachi	fair 32	Nairobi	fair 23	Tokyo	fair 30
						Kuwait	sun 47	Naples	fair 29	Toronto	sun 28
						L. Angeles	sun 27	Nassau	fair 32	Vancouver	cloudy 21
						Las Palmas	fair 27	New York	sun 28	Venice	thund 28
						Lima	cloudy 18	Nice	sun 28	Vienna	cloudy 28
						Lisbon	cloudy 25	Nicosia	sun 38	Warsaw	fair 26
						London	sun 27	Oslo	sun 24	Washington	sun 31
						Lux.bourg	sun 26	Paris	sun 27	Wellington	fair 12
						Lyon	sun 29	Perth	fair 21	Winnipeg	fair 25
						Madeira	shower 26	Prague	fair 25	Zurich	thund 25